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DIRECT TESTIMONY
OF
CARLETTE L. WALKER
ON BEHALF OF
SOUTH CAROLINA ELECTRIC & GAS COMPANY
DOCKET NO. 2002-223-E

Q. PLEASE STATE YOUR FULL NAME AND BUSINESS ADDRESS.

A. My name is Carlette L. Walker. My business address is 1426 Main Street,
Columbia, South Carolina.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am employed by SCANA Services, Inc. as Assistant Controller of SCANA
Corporation's regulated subsidiaries, including South Carolina Electric and Gas
Company (the "Company" or "SCE&G").

**Q. PLEASE BRIEFLY DESCRIBE YOUR EDUCATIONAL AND BUSINESS
BACKGROUND.**

A. I am a 1981 Cum Laude graduate of the University of South Carolina where I
received a Bachelor of Science Degree in Accounting. Following graduation, I
worked for two years in public accounting and became licensed as a Certified
Public Accountant in the State of South Carolina. In 1983, I joined SCE&G's
Internal Audit Department. After four years in Internal Audit, I accepted an
accounting supervisory position with South Carolina Pipeline Corporation
("SCPC"). In 1994 I was promoted to Manager of SCPC's accounting

1 department and in 1997 I was promoted to the position of Controller for that
2 Company. In 1998 I accepted the position of SCE&G's Assistant Controller -
3 Electric Generation and in 1999 was promoted to Assistant Controller - SCE&G.
4 Effective in 2002, my responsibilities as Assistant Controller were increased to
5 include all SCANA regulated subsidiaries. I am currently a member of the
6 American Institute of Certified Public Accountants and the South Carolina
7 Association of Certified Public Accountants.

8 **Q. HAVE YOU PREVIOUSLY OFFERED TESTIMONY IN REGULATORY**
9 **PROCEEDINGS?**

10 A. Yes. I have testified before the Public Service Commission of South Carolina
11 (the "Commission") in several past proceedings.

12 **Q. PLEASE DESCRIBE THE SCOPE OF THE TESTIMONY YOU ARE**
13 **PRESENTING.**

14 A. In connection with Docket No. 2002-223-E and the Company's Application for
15 Increases in Electric Rates and Charges ("the Application"), the Company
16 included certain exhibits containing financial information. I will discuss a
17 number of the exhibits included in the Application and ask the Commission to
18 incorporate the Application into the record of these hearings by reference. The
19 purpose of my testimony is to describe each of these exhibits and certain other
20 accounting and financial information.

21 **Q. HOW ARE THE BOOKS AND RECORDS OF THE COMPANY**
22 **MAINTAINED?**

1 A. The books and records of the Company are maintained in accordance with
2 generally accepted accounting principles and the Uniform System of Accounts
3 for major utilities as prescribed by the Federal Energy Regulatory Commission
4 (“the FERC”). This Uniform System of Accounts has been adopted by the
5 Commission and is followed by major utilities subject to its jurisdiction.
6 Compliance with generally accepted accounting principles and the Uniform
7 System of Accounts is necessary in order to provide consistent and pertinent
8 financial information to the general public, investors, regulators and the financial
9 community.

10 **Q. WHAT STEPS DOES THE COMPANY TAKE TO ENSURE THAT ITS**
11 **BOOKS AND RECORDS ARE ACCURATE AND COMPLETE?**

12 A. The Company maintains and relies upon an extensive system of internal
13 accounting controls, audits by both internal and external auditors, and financial
14 oversight by the Audit Committee of SCANA Corporation's Board of Directors.
15 The Company's system of internal accounting controls is designed to provide
16 reasonable assurance that all transactions are properly recorded in the books and
17 records and that assets are protected against loss or unauthorized use. The
18 Company's system of internal accounting controls is reviewed annually by its
19 independent auditors, Deloitte & Touche LLP, in connection with their audit. As
20 a result of their latest review, the independent auditors found no material
21 weaknesses in the Company's system of internal accounting controls.

1 Q. WILL YOU PLEASE DESCRIBE EXHIBIT NO. ____ (EXHIBIT NO. D-I
2 OF THE APPLICATION)?

3 A. This exhibit consists of six pages and includes the Consolidated Balance Sheet
4 for South Carolina Electric and Gas Company as of March 31, 2002, and the
5 Consolidated Statement of Income for the twelve months ended March 31, 2002.

6 These Statements were prepared in accordance with generally accepted
7 accounting principles and are consistent with similar statements previously filed
8 with this Commission.

9 Q. WILL YOU PLEASE DESCRIBE EXHIBIT NO. ____ (EXHIBIT D-II,
10 PAGE 1 OF 3 OF THE APPLICATION)?

11 A. This exhibit is an analysis of the Company's electric operations that identifies
12 operating revenues and expenses, income for return, original cost rate base, and
13 rate of return for the twelve months ended March 31, 2002 ("test year").

14 **Column 1** provides a description of the items included in determining income for
15 return and original cost rate base.

16 **Column 2** presents the per books amounts used to determine income for return
17 and original cost rate base for the test year.

18 **Column 3** summarizes the Company's accounting and pro forma adjustments
19 that are necessary to reflect known and measurable changes to the results of the
20 Company's electric operations for the test year. The detail for each pro forma

1 adjustment by line item is included in Exhibit No. _ (Exhibit No. D-II, page 3 of
2 3 of the Application).

3 **Column 4** presents the results of the Company's electric operations as adjusted
4 for accounting and pro forma adjustments.

5 **Q. WOULD YOU PLEASE EXPLAIN THE DERIVATION OF THE RATE**
6 **OF RETURN ON ORIGINAL COST RATE BASE THAT APPEARS ON**
7 **EXHIBIT NO. _____ (EXHIBIT NO. D-II, PAGE 1 OF 3 OF THE**
8 **APPLICATION)?**

9 A. Yes. If you take the total income for return on line 12 and divide it by the total
10 original cost rate base as reflected on line 22, the result of this calculation is the
11 rate of return on original cost rate base as reflected on line 23.

12 **Q. WILL YOU PLEASE DESCRIBE EXHIBIT NO. _____ (EXHIBIT D-IV OF**
13 **THE APPLICATION)?**

14 A. This exhibit is a Statement of Fixed Assets - Electric at March 31, 2002. This
15 statement details gross Plant in Service and Construction Work in Progress
16 ("CWIP") by FERC functional classification identified in **Column 1**.

17 **Column 2** includes the amounts recorded on the books and records of the
18 Company at March 31, 2002.

19 **Column 3** summarizes the accounting and pro forma adjustments that effect
20 Plant in Service and CWIP as detailed in Exhibit D-II, page 3 of 3, of the
21 Application.

1 **Column 4** shows the balances after including the effects of the adjustments
2 identified in Column 3.

3 **Column 5** contains the amount of adjusted gross Plant in Service and CWIP
4 allocated to retail operations.

5 **Q. Will you please describe Exhibit No. ____ (Exhibit D-V of the Application)?**

6 **A.** This exhibit consists of two sections. The first section is the Company's
7 Statement of Depreciation Reserves for Electric Operations at March 31, 2002.

8 **Column 2** shows the amounts recorded on the Company's books for the Reserve
9 for Depreciation by FERC functional classification as described in **Column 1**.

10 **Column 3** summarizes the adjustments to Depreciation Reserves as detailed in
11 Exhibit D-II, page 3 of 3, of the Application.

12 **Column 4** shows the balances after including the effects of the adjustments
13 identified in column 3.

14 **Column 5** is the amount of Depreciation Reserves allocated to retail operations.

15 The second section is a Schedule of Annual Depreciation Rates for Electric
16 Operations detailed by FERC functional classification.

17 The column labeled "Current" represents the rates that currently apply to the
18 FERC functional classifications in **Column 1**.

19 The column labeled "Requested" represents rates that the Company is proposing
20 based on a recently completed depreciation study.

1 Q. WILL YOU PLEASE DESCRIBE EXHIBIT NO. ____ (EXHIBIT D-II,
2 PAGE 3 OF 3, OF THE APPLICATION)?

3 A. This exhibit details the accounting and pro forma adjustments that the Company
4 is proposing in this proceeding by the component of income and rate base to
5 which each adjustment relates.

6 Q. PLEASE LIST THE ACCOUNTING AND PRO FORMA
7 ADJUSTMENTS THAT YOU INTEND TO DISCUSS IN YOUR
8 TESTIMONY.

9 A. The accounting and pro forma adjustments that I will be discussing are as
10 follows. (The adjustment numbers coincide with the numbers on Exhibit. D-II, 3
11 of 3.)
12

<u>No.</u>	<u>Adjustment Title</u>	<u>Page</u>
1.	Buy/Resell Transactions	9
2.	Sale for Resale Contract	9
3.	Capacity Purchases	9
4.	Uncollectible Accounts	10
5.	Employee Clubs	10
6.	Service Company Cost Allocations	10
7.	Nuclear Plant Security and Maintenance	11
8.	Compensation	11

9.	Employee Benefits	13
10.	Plant in Service	14
11.	Depreciation Reserves	14
12.	Annualize Current Depreciation	14
13.	New Depreciation Study	14
14.	Amortization Expense	15
15.	Property Taxes	16
16.	Construction Work in Progress	16
17.	Urquhart Re-powering Project	16
18.	Jasper Generation Project	18
19.	Saluda Dam Remediation Project	20
20.	GridSouth RTO Costs	20
21.	Charleston Franchise Agreement	21
22.	Columbia Franchise Agreement	21
23.	Synthetic Fuel Tax Credits	23
24.	Working Cash	24
25.	Annualized Interest	24

1 **Q. PLEASE DESCRIBE THE ADJUSTMENTS.**

2 **A. Adjustment No. 1, Buy/Resell Transactions,** reduces regulated electric revenue
3 and expenses to eliminate revenues and expenses related to third party buy/resale
4 transactions. These transactions were transactions in which the Company bought
5 and resold energy from third parties and did not involve the Company's regulated
6 electric generation. The Commission approved the booking of this revenue and
7 expense to non-utility accounts by Order No. 2002-74, which was effective
8 October 1, 2001. This adjustment is necessary to reflect the effects of this Order
9 during the initial months of the test year before the Order was effective. The
10 effect of this adjustment is to lower SCE&G's regulated electric revenue by
11 \$62,620,736 and its purchased power expense by \$60,856,192.

12 **Adjustment No. 2, Sale for Resale Contract,** annualizes the effects on retail
13 electric operations of a new sale for resale contract that went into effect on
14 March 1, 2002. This adjustment increases electric wholesale revenues by
15 \$10,558,000, increases fuel expenses by \$4,080,000 and has the effect of shifting
16 cost allocations to wholesale operations.

17 **Adjustment No. 3, Capacity Purchases,** decreases test year operating expenses
18 by \$1,965,042 related to contracts for the purchase of capacity during the test
19 year. These capacity purchases enabled the Company to maintain adequate
20 reserve margins during the test year. This capacity is no longer necessary now
21 that the Urquhart Repowering Project has begun commercial operation.

1 Accordingly, the Company is removing the costs related to these contracts from
2 its expenses.

3 **Adjustment No. 4, Uncollectible Accounts,** reduces the level of uncollectible
4 accounts expenses to recognize the unusual levels of write-offs experienced
5 during the test year. The level of write-offs during the test year reflects the
6 impact of the harsh weather in the winter of 2000-2001 that immediately
7 preceded the test year. The adjustment proposed is based on a 3-year average and
8 reduces SCE&G's uncollectible expenses by \$679,869.

9 **Adjustment No. 5, Employee Clubs,** reflects the removal of costs related to
10 Employee Clubs (the Pine Island, Sand Dunes and Misty Lake Clubs) operated
11 by the Company. The effect of the adjustment is to lower SCE&G's O&M
12 expenses by \$232,690, plant in service by \$2,662,633, depreciation reserves by
13 \$968,133 and depreciation expense by \$120,244. The Company is making this
14 adjustment to comply with the Commission's established practice as set forth in
15 past orders. By making this adjustment, the Company does not mean to imply
16 that it agrees with this treatment of employee club expenses or that it may not
17 object to removal of such costs from utility expenses in future proceedings.

18 **Adjustment No. 6, Service Company Cost Allocations,** reflects the
19 annualization of changes in the method of allocating costs to the Company by
20 SCANA Service Company. These changes were required by the Securities and
21 Exchange Commission (the "SEC"), which has jurisdiction over the allocation of

1 service company costs pursuant to the Public Utility Holding Company Act. The
2 SEC audited the Company's allocations in 2001, and required certain minor
3 changes in allocation practices. The effect of the annualization of these changes
4 is to lower SCE&G's expenses by \$145,740.

5 **Adjustment No. 7, Nuclear Plant Security and Maintenance,** includes two
6 adjustments to test year electric O&M expenses:

- 7 • **Additional Security Cost,** annualizes security cost increases incurred by the
8 Company in response to the terrorist attacks of September 11, 2001, a
9 significant portion of which related to increased security at V.C. Summer
10 Nuclear Station. The effect of this annualization is to increase O&M expenses
11 by \$1,168,028.
- 12 • **Nuclear Refueling Maintenance Expense,** annualizes the actual nuclear
13 refueling maintenance expenses incurred during the Spring 2002 refueling
14 outage. The effect of this adjustment is to increase O & M expenses by
15 \$1,750,028 over the amount accrued in the test year.

16 **Adjustment No. 8, Compensation,** annualizes the Company's salary expense at
17 the end of the test year to reflect current salary levels. The effect of this
18 annualization is to increase SCE&G's O & M expenses by \$967,903 and taxes
19 other than income taxes by \$65,238.

20 This adjustment also reverses all debits and credits related to at-risk
21 compensation during the test year. In calendar year 2001, financial performance

1 did not support the payment of at-risk compensation and, in fact, none was paid.
2 The amounts that had been accrued for at-risk pay during calendar year 2001
3 were reversed on the Company's books during late 2001. The entire amount of
4 that reversal is reflected as a reduction in compensation expenses during the test
5 year.

6 SCE&G is presently accruing amounts to pay at-risk compensation for
7 calendar year 2002. Under the present structure of the at-risk compensation
8 program, 50% of the target at-risk payout is based on employee-specific safety,
9 efficiency, productivity or reliability goals. The Company anticipates achieving
10 these goals and paying out 50% of the at-risk compensation. The Commission
11 has previously allowed the rate recovery of this type of incentive compensation in
12 Docket No. 92-619-E and Docket No. 95-1000-E.

13 The remaining 50% of at-risk compensation is tied to economic
14 performance of SCE&G and SCANA. The Company believes that SCANA's
15 economic performance is also an indication of the efficiency, productivity and
16 reliability of its principal subsidiaries, of which SCE&G is the largest by far.
17 However, the Company is not proposing in this case to recover through rates the
18 50% at-risk compensation that is tied to these other indicators. Instead, the
19 Compensation Adjustment accrues 50% percent of the target at-risk
20 compensation for employees based on the salary levels during the test year.

1 The effect of the accrual of at-risk compensation at 50% of the targeted
2 payout and the related payroll tax expense is to increase test year O & M
3 expenses by \$5,919,692 and taxes other than income taxes by \$612,947

4 **Adjustment 9, Employee Benefits**, reflects two adjustments related to benefits
5 the Company provides its employees.

- 6 • The adjustment annualizes the electric O&M portion of the Company's
7 expenses for Other Post Employment Benefits ("OPEBs"), principally post-
8 retirement health care benefits, to match the amounts required to be accrued
9 for these future expenses under the Company's most recent actuarial study.

10 The result is to increase test year O & M expenses by \$153,908. In addition,
11 annualizing this adjustment in OPEB expense requires a related reduction in
12 rate base because unfunded OPEB accruals function as an offset to rate base.

13 The effect of this adjustment is to increase other deferred credits by \$95,038.

- 14 • This adjustment also increases O & M expenses by \$10,942,703 to reflect a
15 reduction in the income derived from the Company's pension plan based on
16 current actuarial analysis. The performance of the Company's pension fund
17 in the last several years has been such that the return on assets has exceeded
18 the cost of accruing future pension benefits for employees, thereby enabling
19 the Company to recognize income from the plan rather than expense. As a
20 consequence of recent downturns in the stock market, the value of the
21 pension fund has declined. In turn, the amount of income the Company will

1 be able to realize has been reduced to \$5,350,032 for calendar year 2002 as
2 compared to \$16,292,735 in the test year.

3 **Adjustment No. 10, Plant in Service**, updates the balance in the Company's
4 Plant in Service Account as of the end of the test year, March 31, 2002, to June
5 30, 2002 to reflect additions and retirements during this period. The amount of
6 this adjustment is \$5,329,698.

7 **Adjustment No. 11, Depreciation Reserves**, updates the balance in the
8 Company's Depreciation Reserves at the end of the test year, March 31, 2002, to
9 June 30, 2002 to reflect depreciation expense, retirements, and net salvage during
10 this period. The amount of this adjustment is \$17,019,204.

11 **Adjustment No. 12, Annualize Current Depreciation**, annualizes depreciation
12 expense using the rates approved in Docket No. 95-1000-E and based on the
13 adjusted plant in service balances as of June 30, 2002. Consistent with prior
14 Commission orders, including Order 95-1000-E, the adjustment also considers
15 the effect on the depreciation reserve balance of one-half of the increase in
16 depreciation expense. The effect of this adjustment is to increase annual
17 depreciation expense by \$692,256 and depreciation reserves by \$346,128.

18 **Adjustment No. 13, New Depreciation Study**, reflects an increase in annual
19 depreciation expense of \$13,288,667 and a corresponding increase in
20 depreciation reserves of \$6,644,334 that result from the use of proposed

1 depreciation rates derived from a recently completed depreciation study. See
2 Exhibit No. ____ (CLW-1).

3 **Q. IS THE COMPANY ASKING THAT THE NEW DEPRECIATION**
4 **RATES BE APPROVED IN THIS PROCEEDING?**

5 A. Yes. The Company is asking that the Commission approve in this
6 proceeding new depreciation rates as shown in Exhibit D-V of the
7 Application under the column labeled "Requested" and as supported by
8 the depreciation study in Exhibit No. ____ (CLW-1).

9 **Q. PLEASE DISCUSS THE DERIVATION OF THE NEW ELECTRIC**
10 **DEPRECIATION RATES.**

11 A. The Company periodically reviews the adequacy of its depreciation rates
12 for plant and equipment. These reviews, or depreciation studies, consider
13 the productive life, cost of removal, salvage value and the mortality
14 experience of the Company's property and equipment. As a result, rates
15 are derived to reflect a reasonable recovery period of the Company's
16 capital investment.

17 **Adjustment No. 14, Amortization Expense,** adjusts test year expenses for
18 certain specific items that were completely written off during the test year. These
19 items include the amortization of the unrecovered investment in the steam
20 generator at V.C. Summer Nuclear Station that was replaced in 1994 and the
21 accelerated write off of certain obsolete software. The net effect of this

1 adjustment is to reduce the Company's depreciation and amortization expenses
2 by \$4,376,026.

3 **Adjustment No. 15, Property Taxes,** increases taxes other than income by
4 \$563,456. This adjustment is necessary to annualize the impact on the
5 Company's property taxes for additions to plant in service identified in
6 Adjustment No. 10.

7 **Adjustment No. 16, Construction Work in Progress,** updates the Company's
8 CWIP balances at March 31, 2002 to the level carried on the books on June 30,
9 2002. The amount of the adjustment is an increase of \$72,385,926.

10 **Adjustment No. 17, Urquhart Repowering Project,** sets forth the adjustments
11 related to the repowering of two units of the Company's three unit Urquhart
12 Generating Station in Aiken County, South Carolina (the "Urquhart Repowering
13 Project"). As discussed in the direct testimony of Company's witness Mr.
14 Landreth, two of the three units at the Urquhart Plant have been converted from
15 coal-fired to gas-fired units to increase capacity and reduce air emissions. The
16 converted units were placed in service in June 2002, after the close of the test
17 year. There are four pro forma adjustments related to the plant:

- 18 • **Plant in Service Adjustment** places into Plant in Service the total amount of
19 the Company's investment in the repowering project plant as of June 30,
20 2002. It also removes amounts related to the repowering project from CWIP

1 accounts. As of June 30, 2002, the Company's total investment in the
2 repowering project was \$248,176,336.

- 3 • Depreciation and Property Tax Expense Adjustment adjusts depreciation
4 expenses and property taxes to reflect the repowering project being placed
5 in service. The depreciation adjustment is based on a depreciation rate of
6 4.0% as determined by review of the estimated useful lives of the plant's
7 major components and experience at the Company's other units. The
8 amount of the depreciation adjustment is \$9,927,053. Additional property
9 taxes were calculated using the current millage for Aiken County. The
10 amount of the additional property taxes is \$3,232,164.
- 11 • Maintenance Related O&M Expense Adjustment recognizes the costs
12 associated with maintenance contracts for the new gas-fired turbines and
13 related assets. The cost of these contracts, on an annual basis, is \$592,305
14 and is reflected as an increase in O & M expense.
- 15 • Fixed Capacity Charges Adjustment adjusts base electric rates to include the
16 fixed capacity charges SCE&G must pay for the provision of interstate and
17 intrastate gas service to the Urquhart facility. The amount of the fixed
18 capacity charges is \$8,510,386 per year. These charges are included in the
19 Company's annual fuel forecast and are currently being recovered through the
20 fuel adjustment clause. The Company is proposing to remove the retail
21 portion of this amount (\$8,079,000) from fuel cost recoveries. In the initial

1 period rates are in effect, this would reduce the fuel factor computed under
2 Order No. 2002-347 by \$0.00044/kw. To ensure that there is no over or
3 under recovery of these charges in future years, the Company proposes to
4 flow any positive or negative difference between the amount reflected in base
5 rates and the actual charges for the fixed capacity charges through the fuel
6 adjustment clause.

7 **Q. WHAT IS THE RATIONALE FOR THIS PROPOSAL**
8 **CONCERNING THESE FIXED CAPACITY CHARGES?**

9 A. Because these charges do not vary with consumption of natural gas by
10 the plant, we believe that it is proper to treat them as fixed costs. The
11 Company's proposal allows a base amount of these capacity charges to
12 be treated as fixed charges and allows any changes in the amount that
13 may occur in the future to be treated as a variable charge through the
14 fuel adjustment clause.

15 **Q. PLEASE DESCRIBE ADJUSTMENT NO. 18, JASPER GENERATION**
16 **PROJECT.**

17 A. Adjustment No. 18, the Jasper Generation Project, sets forth the rate base
18 components of the Company's 875-MW natural gas-fired generating plant under
19 construction in Jasper County, S.C. ("the Jasper Generation Project"). As
20 discussed in the direct testimony of Company's witness Mr. Lorick, the Jasper
21 Generation Projection is to be placed into service in May 2004. At that time, the

1 Company's total investment in the Jasper Generation Projection will be
2 approximately \$478 million including amounts based on a) the schedule of
3 payments under the terms of the construction contract with Duke/Fluor-Daniel,
4 b) Company support costs, and c) AFUDC accruals. The Company is requesting
5 that the Commission set rates in this proceeding based on the amount of the
6 Company's investment in Jasper as of December 31, 2002. As set forth on
7 Exhibit No. __ (CLW-2), at that time the investment in the Jasper Generation
8 Projection will be \$276,224,951.

9 **Q. ARE THE AMOUNTS OF THESE JASPER-RELATED RATE**
10 **BASE ITEMS KNOWN AND MEASURABLE?**

11 A. Yes. As shown in Exhibit No. ____ (CLW-2), the costs of construction
12 for the Jasper Generation Projection include \$148,142,435 as recorded
13 on the Company's books as of June 30, 2002. The remaining
14 \$128,082,516 is made up of payments that will be made to Duke/Flour
15 Daniel under the terms of the construction contract (\$116,162,433),
16 other costs that will be incurred by the Company through December
17 2002 (\$3,617,004) and the corresponding AFUDC accruals that will be
18 included based on the AFUDC rate currently in effect (\$8,303,079).
19 Basing the adjustment on the amounts on the books on December 31,
20 2002 will allow the Commission to verify the amounts by review of the
21 Company's accounting records and invoices from Duke/Flour Daniel

1 before placing new rates into effect on February 1, 2003. This method
2 of arriving at Jasper Generation Projection investment costs is fully
3 consistent with that used by the Company in Docket No. 92-619-E, and
4 Docket No. 95-1000-E.

5 **Adjustment No. 19, the Saluda Dam Remediation Project**, removes from
6 CWIP all amounts related to the project to remediate the Saluda Dam (the “Dam
7 Remediation Project”). The Saluda Dam is a part of Saluda Hydroelectric Project
8 regulated by the FERC. The FERC has ordered remediation to strengthen the
9 dam against earthquakes. The remediation project is expected to be completed by
10 2005. The project, however, is in its very early stages and the Company is not
11 asking for costs related to it to be included in rates at this time. While the
12 Company does not seek to recover the capital cost related to the Dam
13 Remediation Project in rates to be set in this proceeding, it is seeking to retain
14 the right to include such costs in its rate base as reported to the Commission in
15 its Quarterly Reports and to seek rate recovery of these investments in the
16 future. The effect of this adjustment is to reduce the amount of the CWIP on
17 the books as of June 30, 2002 by \$39,611,853.

18 **Adjustment No. 20, GridSouth RTO Costs**, reflects the Company’s
19 investment in the project to form GridSouth Regional Transmission Organization
20 (“RTO”). The Company participated with Duke and Carolina Power and Light
21 Company in this project, which was undertaken in response to directives issued

1 by FERC in Order 2000. The Company's investment in the project is
2 \$13,150,179 representing its 17% share of the total capitalized expenditures
3 incurred by the participants. The Company is proposing to amortize this
4 investment over 5 years with a resulting increase in annual amortization expense
5 of \$2,630,036. The Company has included in rate base \$6,575,090 representing
6 the average amount of investment reflected on the Company's books during the
7 amortization period requested.

8 **Adjustment No. 21, Charleston Franchise Agreement,** reduces the
9 unamortized balance held in the accounts related to the Company's thirty (30)
10 year franchise with the City of Charleston to reflect amortization between the end
11 of the test year and December 31, 2002. The effect of this adjustment is to reduce
12 the balance of the account by \$800,313. This franchise agreement is being
13 accounted for in compliance with the Commission's Order No. 96-769.

14 **Adjustment No. 22, Columbia Franchise Agreement,** includes several
15 adjustments which relate to the Company's thirty (30) year franchise with the
16 City of Columbia which are being accounted for in conformity with the
17 Commission's Order No. 2002-521. This franchise agreement was entered into
18 after the books closed for the test year. The Columbia franchise agreement results
19 in a net increase in rate base of \$19,842,761 and an increase in annual expenses
20 of \$852,723. The adjustments that produce these results are discussed more fully
21 below:

1 by FERC in Order 2000. The Company's investment in the project is
2 \$13,150,179 representing its 17% share of the total capitalized expenditures
3 incurred by the participants. The Company is proposing to amortize this
4 investment over 5 years with a resulting increase in annual amortization expense
5 of \$2,630,036. The Company has included in rate base \$6,575,090 representing
6 the average amount of investment reflected on the Company's books during the
7 amortization period requested.

8 **Adjustment No. 21, Charleston Franchise Agreement,** reduces the
9 unamortized balance held in the accounts related to the Company's thirty (30)
10 year franchise with the City of Charleston to reflect amortization between the end
11 of the test year and December 31, 2002. The effect of this adjustment is to reduce
12 the balance of the account by \$800,313. This franchise agreement is being
13 accounted for in compliance with the Commission's Order No. 96-769.

14 **Adjustment No. 22, Columbia Franchise Agreement,** includes several
15 adjustments which relate to the Company's thirty (30) year franchise with the
16 City of Columbia which are being accounted for in conformity with the
17 Commission's Order No. 2002-521. This franchise agreement was entered into
18 after the books closed for the test year. The Columbia franchise agreement results
19 in a net increase in rate base of \$19,842,761 and an increase in annual expenses
20 of \$852,723. The adjustments that produce these results are discussed more fully
21 below:

- 1 • One part of the adjustment reflects an increase to the amounts recorded in
2 the Company's franchise related property accounts to reflect the
3 consideration paid to the City of Columbia for the thirty (30) year
4 franchise. The amount of this adjustment is \$40,353,356.
- 5 • Part of the consideration provided to the City for this franchise included
6 transfer to the City of the Columbia Hydro Project (a generation asset) and
7 certain assets held in general plant accounts (these assets are principally
8 assets related to vehicle maintenance facilities and equipment transferred
9 to the City). Part of the adjustment transfers the book value of these
10 assets from hydro-production and general plant accounts to the intangible
11 plant account. Accordingly, the net amount of this adjustment, including
12 the effect on depreciation reserves, is a reduction to rate base of
13 \$2,772,223.
- 14 • Part of this adjustment also increases annual amortization expense by the
15 net of (a) the amortization of the franchise consideration over the thirty
16 (30) year life of the franchise and (b) depreciation expenses related to
17 assets transferred to the City from the test year accounts. The annual
18 amount of the amortization of the franchise consideration is \$1,345,112.
19 The existing depreciation expense to be netted against this amount is
20 \$492,389. This results in a net increase in annual amortization expense of
21 \$852,723. Accumulated amortization has also been increased by

1 The amount of the tax credits is subject to change or disallowance based
2 on audits by the Internal Revenue Service.

3 **Adjustment No. 24, Working Cash,** adjusts working cash to reflect the working
4 cash requirements related to the adjustments set forth above. The amount of the
5 adjustment is an increase to rate base of \$4,457,000.

6 **Adjustment No. 25, Annualized Interest,** reflects the decreases in state income
7 taxes of \$321,000 and federal income taxes of \$2,134,000 associated with the pro
8 forma adjustments to rate base discussed herein.

9 **Q. MRS. WALKER, DOES THIS CONCLUDE YOUR TESTIMONY?**

10 **A. Yes.**

Exhibit No. _____ (CLW-1)

***South Carolina Electric
and Gas Company***

Book Depreciation Study as of December 31, 2001



August 2002

Mr. Barry Burnette
General Manager, Corporate Taxes, Plans, and Payroll
SCANA Services, Inc.
Palmetto Center
1426 Main Street
Columbia, South Carolina 29201

Dear Mr. Burnette:

In accordance with your request, we have assisted SCANA Services, Inc. (SCANA) personnel in conducting a depreciation study of the South Carolina Electric & Gas Company (SCE&G) Electric and Common property. The purpose of the study was to determine if the existing depreciation rates remain applicable to the depreciable property groups. Changes were found to be needed, which will cause annual depreciation provisions to increase. The study recognized addition and retirement experience through December 31, 2001, and the recommended depreciation rates are calculated based on the depreciable plant balances as of that date.

The existing depreciation rates were authorized by the Public Service Commission of South Carolina, which were effective in January 1996. The existing and recommended depreciation rates for all property are calculated using the average life group (ALG) procedure and the remaining life technique.

A comparison of the effect of the study functional rates with the existing functional rates is shown in Table 1 (on the following page) based on depreciable plant balances as of December 31, 2001.

Table 1: Existing and Recommended Study Depreciation Rates & Accruals - South Carolina Electric & Gas Company

Function (a)	Plant Balance at 12/31/2001 (b)	Depreciation Rate (%)		Difference (e=d-c)	Annual Accrual (\$)		Difference (h=g-f)
		Existing (c)	Study (d)		Existing (f=b*c)	Study (g=b*d)	
Production							
Steam Investment	\$ 1,077,479,884	2.87	3.66	0.79	\$ 30,923,673	\$ 39,435,764	\$ 8,512,091
Steam Dismantlement		0.90	0.75	(0.15)	9,697,319	8,081,099	(1,616,220)
TOTAL STEAM	<u>1,077,479,884</u>	<u>3.77</u>	<u>4.41</u>	<u>0.64</u>	<u>40,620,992</u>	<u>47,516,863</u>	<u>6,895,871</u>
Nuclear Investment	924,679,196	2.54	2.54	0.00	23,486,852	23,486,852	-
Hydraulic Investment	241,075,036	1.92	2.01	0.09	4,628,641	4,845,608	216,967
Other Investment	92,677,342	3.36	4.64	1.28	3,113,959	4,300,229	1,186,270
TOTAL PRODUCTION	<u>2,335,911,458</u>	<u>3.07</u>	<u>3.43</u>	<u>0.36</u>	<u>71,850,444</u>	<u>80,149,552</u>	<u>8,299,108</u>
Transmission	437,917,688	2.40	3.04	0.64	10,510,025	13,312,698	2,802,673
Distribution	1,478,042,922	2.78	2.67	(0.11)	41,089,593	39,463,746	(1,625,847)
General	69,729,981	7.61	5.54	(2.07)	5,306,452	3,863,041	(1,443,411)
TOTAL ELECTRIC	<u>4,321,602,049</u>	<u>2.98</u>	<u>3.17</u>	<u>0.19</u>	<u>128,756,514</u>	<u>136,789,037</u>	<u>8,032,523</u>
Common	88,373,305	5.73	12.08	6.35	5,063,790	10,675,495	5,611,705
TOTAL ELECTRIC & COMMON	<u>\$ 4,409,975,354</u>	<u>3.03</u>	<u>3.34</u>	<u>0.31</u>	<u>\$ 133,820,304</u>	<u>\$ 147,464,532</u>	<u>\$ 13,644,228</u>

The summary table for the recommended rates is taken from Schedule 1, which shows the annual provisions for the existing and recommended rates, and the differences. Based on the December 31, 2001, depreciable plant balances, the recommended rates would result in an annual increase in depreciation provisions of \$13.7 million or about 10%, as shown on Schedule 1.

Schedules 2 and 3 show the mortality characteristics and Schedule 4 shows the retirement dates used to calculate the recommended depreciation rates. Schedule 2 shows the mortality characteristics used to calculate the existing and recommended depreciation rates for Steam, Nuclear, Hydraulic and Other Production Plant. Schedule 3 shows the mortality characteristics used to calculate the existing and recommended depreciation rates for Transmission, Distribution, General and Common Plant. The retirement dates used to calculate the recommended rates for the generating units are shown in Column 4 of Schedule 4. The generating unit retirement dates were provided by SCANA personnel.

For Production Plant, the study rates maintain the link between the generating unit retirement dates and the future capital expenditures necessary to reach these dates by being based on future interim additions beyond 2001 consistent with actual Company experience, which has been that the interim addition amounts are much higher than the interim retirements. However, our study reflects interim addition amounts equal to interim retirements presuming replacement in kind. The depreciation rate increase is due to the effect of new capital additions for pollution control.

The primary reason for the Transmission Plant depreciation rate changes is the effect of decreases in the net salvage factors, which are partially offset by the effect of increases in average service lives (ASLs).

Distribution Plant depreciation rate changes are a result of changes in the net salvage factors and the increases in ASLs. How these life and net salvage changes are linked is explained later in this report.

General Plant depreciation rate changes are a result of the reserve position of these accounts. Common Plant depreciation rate changes are due primarily to one account, 691.2, EDP Equipment, and are due to reserve position.

The methods used to carry out the mortality analysis phase of this study are the same as used for prior studies. The following sections of this report describe the methods of analysis used, the bases for the conclusions reached, and recommendations for both immediate and future action by SCE&G.

We appreciate this opportunity to serve South Carolina Electric and Gas Company and would be pleased to meet with you to further discuss the matters presented in this report, if you desire.

Yours truly,

Deloitte & Touche LLP

PURPOSE OF DEPRECIATION ACCOUNTING

Book depreciation accounting is the procedure for recognizing in financial statements the investment costs related to the consumption of physical assets in the process of providing a service or a product. These costs include invested capital adjusted for the net salvage expected to be realized at the time facilities are abandoned or removed. For example, if taxi riders are not charged a proportional share of the consumption of the automobile, the taxi will eventually be worn out and the owner will not have recovered his investment. However, it should be remembered that book depreciation is for the recovery of the investment in the original taxi, not for providing for its replacement. Thus, book depreciation is often referred to as *capital recovery*.

Generally accepted accounting principles require the recording of these costs through depreciation to be in a systematic and rational manner. To be systematic and rational, depreciation should, to the extent possible, match the consumption of the assets or the revenues generated by the assets. To ensure that financial statements reflect the results of operations and changes in financial position as accurately as possible, expenses should be matched with either asset consumption or revenues. This matching principle is often referred to as the *cause and effect* principle; thus, both the cause and the effect are required to be recognized for financial accounting purposes.

Since utility revenues are determined through regulation, asset consumption is not automatically reflected in revenues. Therefore, the consumption of utility assets must be measured directly by conducting a depreciation study to determine their mortality characteristics and to utilize these characteristics to calculate depreciation rates that will record depreciation provisions in a manner that is both systematic and rational. The term *mortality characteristics* as used herein encompasses generating unit retirement dates, average service lives, pattern of variation of retirements around average life defined by Iowa-type dispersion patterns, and net salvage factors (expressed as percentages of depreciable plant balances).

The matching principle is also an essential element of basic regulatory philosophy known as *intergenerational customer equity*. Intergenerational equity means the costs are borne by the generation of customers that caused them to be incurred - not by some earlier or later generation. This matching is required to ensure that charges to customers reflect the actual costs of providing service.

This study was conducted in a manner that enhances the compliance of the results with the matching principles of accounting and regulation.

DEPRECIATION DEFINITIONS

The electric utility Uniform System of Accounts of the Federal Energy Regulatory Commission (FERC) that is followed by SCE&G states that:

Depreciation, as applied to depreciable electric plant, means the loss in service value not restored by current maintenance, incurred in connection with the consumption or prospective retirement of electric plant in the course of service from causes which are known to be in current operation and against which the utility is not protected by insurance. Among the causes to be given consideration are wear and tear, decay, action of the elements, inadequacy, obsolescence, changes in the art, changes in demand and requirements of public authorities.

Service value means the difference between original cost and net salvage value of electric plant.

Net salvage value means the salvage value of property retired less the cost of removal.

Salvage value means the amount received for the property retired less any expenses incurred in connection with the sale or in preparing the property for sale, or, if retained, the amount at which the material is chargeable to materials and supplies, or other appropriate account.

Cost of removal means the cost of demolishing, dismantling, tearing down or otherwise removing electric plant, including the cost of transportation and handling incidental thereto.

As is evident from the wording of the salvage value and cost of removal definitions, it is the salvage that will actually be received and the cost of removal that will actually be incurred, both measured at the price level at the time of receipt or incurrence, that are required to be recognized in SCE&G's depreciation rates. Implementation of these depreciation accounting definitions results in recovery of invested capital

after expenditure, credit for salvage before receipt and recovery of cost of removal before expenditure. Thus, the accrual method of accounting is utilized.

Cost of removal is a generic term that is used to denote costs incurred to either physically remove property or to safely abandon it in place, and is used in that context herein. When salvage is reduced by cost of removal, the term net salvage is used.

These definitions are consistent with the purpose of depreciation accounting, and the study reported here was conducted in a manner consistent with both. In addition, the study was conducted in a manner consistent with General Instruction 11 of the Uniform System of Accounts that requires the use of accrual accounting.

ACCOMPLISHMENT OF ACCOUNTING AND REGULATORY PRINCIPLES

The matching (cause and effect) principle of accounting dictates how a depreciation study of Production Plant should be conducted. It is necessary to incorporate interim activity into the calculation of Production Plant depreciation rates to comply with this accounting principle and to have all components of the rate calculation consistent with each other. The matching principle allows either inclusion of both these addition amounts and the extra generating unit life the additions cause, or the exclusion of both. Therefore, both the life extension additions (cause) and the extended life (effect) resulting therefrom were included in the depreciation rate calculations for these units. Interim retirements were included to ensure they are fully depreciated when they occur, and can easily be estimated based on past experience.

Remaining life rates provide for full recovery over the remaining life of surviving property, thus improving the match between actual property consumption and the recording of depreciation. Remaining life rates are also beneficial because they compensate for any past over- or under-accruals and for any plant or reserve transactions different from those anticipated by the mortality characteristics used to calculate the existing depreciation rates, and limit depreciation recoveries to investment net of expected

salvage and cost of removal - no more and no less. Remaining life rates are recommended for all property groups, consistent with past practice.

Utility depreciation accounting is a group concept. Inherent in this concept is the assumption that all property is fully depreciated at the time of retirement, regardless of age, and there is no attempt to record the depreciation applicable to individual components of the property groups. The depreciation rates are based on the recognition that each depreciable property group has an ASL. However, very little of the property is *average*. Most property will be retired at an age either less than or greater than the ASL and will be treated as being fully depreciated at retirement, no matter at what age the retirement occurs. The study recognizes the existence of this age variation through use of interim retirements for generating units, and through use of Iowa-type retirement dispersion patterns for the other property. The Iowa-type family of dispersion patterns was developed from empirical data for utility and industrial property, and its naming convention and broad range of patterns make the family ideal for use in depreciation studies.

The ALG depreciation rate calculation procedure was retained at SCE&G's request. For Transmission, Distribution, General and Common Plant, average life groups are defined by Iowa-type retirement dispersion patterns. Such patterns have been reflected in the mortality characteristics selected in prior studies and have utilized the ALG rate calculations used in this study.

ALG and ELG are rate calculation procedures - nothing more. The data required to make ELG whole life and remaining life and ALG remaining life rate calculations are ASL, retirement dispersion pattern, net salvage factor and the age distribution of the property. Only the ASL and net salvage factor are required for the ALG whole life rate calculation. When retirement dispersion does not exist, the ELG rate is identical to the ALG rate. When dispersion exists, the ELG rate for recently installed property is higher than the ALG rate, and for old property is lower.

The depreciation study required to determine the applicable mortality characteristics is independent from the calculation of the depreciation rates. The resulting mortality characteristics can be used to calculate either ALG or ELG rates, both with either the whole life technique or the remaining life technique. Any set of mortality characteristics that is suitable for calculating ALG rates is just as suitable for calculating ELG rates. Conversely, any set that is not suitable for ELG is not suitable for ALG either.

The only difference between ELG and ALG is the ELG recognition of the existence of retirement dispersion in the calculation of the depreciation rates. The ELG calculation procedure was devised to ensure that recording and recovery of depreciation expenses occurs in a pattern that matches the actual useful life of property. Since ELG is merely a rate calculation procedure, the use of ELG rates has no effect on depreciation study data or procedures, accounting and regulatory reporting practices or SCE&G's administrative burden. While we believe the ELG procedure is superior to the ALG procedure in providing a better matching of depreciation with asset consumption, no change in procedure is recommended at this time.

THE BOOK DEPRECIATION STUDY

Implementation of a policy toward book depreciation that recognizes the purpose of depreciation accounting requires accurate determination of the mortality characteristics that are applicable to surviving property. The purpose of the study reported here was to accurately estimate those mortality characteristics and to use the characteristics to calculate appropriate rates for the accrual of depreciation provisions. A depreciation study is an effort to predict the future and to use the prediction as the basis for calculating depreciation rates.

The major effort of the study was the determination of the appropriate mortality characteristics. The remainder of this report describes how those characteristics were determined; when possible, compares

the newly determined mortality characteristics with those used to calculate the existing rates; describes how the mortality characteristics have been used to calculate the recommended depreciation rates; and presents the results of the rate calculations.

The study consisted of the following steps:

Step One was a Life Analysis consisting of a study of historical retirement experience and an evaluation of the applicability of that experience to surviving property. For Production Plant, this step also entailed the determination of the generating unit retirement dates suitable for depreciation rate calculations.

Step Two was a Salvage and Cost of Removal Analysis consisting of a study of salvage value and cost of removal experience and an evaluation of the applicability of that experience to surviving property.

Step Three consisted of the determination of the remaining life spans of generating units and of average service lives for the other property groups; of retirement dispersion patterns identified by interim activity factors for the generating units, and by Iowa-type curves for the other property; and of interim and terminal net salvage factors applicable to surviving property.

Step Four was the calculation of the recommended depreciation rate applicable to each depreciable property group, recognizing the results of the work in Steps One through Three.

LIFE ANALYSIS

Life Analysis concerns the determination of generating unit retirement dates or average service life and retirement dispersion identified by interim addition and retirement ratios or by standard dispersion curve types. Retirement dates and interim ratios were determined for Production Plant. Average service lives and Iowa-type curves were determined for Transmission, Distribution, General and Common Plant. The Life Analysis for Production Plant consisted of both a historical analysis and a forecast. For Transmission, Distribution, General and Common Plant, the Life Analysis consisted of a historical analysis.

The depreciation rates for SCE&G's generating plants have been developed using a life span forecast based on the location life for each generating site. Location life property is property at which all

surviving investment is expected to be retired at one time. All production plants are assigned an estimated retirement date. The analyses assume that all remaining property (common) located at each production plant will be retired when the plant reaches its retirement date.

Production Plant

For Production Plant, the Life Analysis involved two steps. The first step was the estimation of the retirement date of each generating unit, which was provided by SCE&G. The second step was the estimation of the expected future interim additions and retirements.

The total life span of a production plant is the maximum life expected for any original investment surviving to the retirement date. Not all property will survive to the plant's retirement date. Interim additions, investment added subsequent to the in-service of the plant/unit, and interim retirements will, by definition, have a shorter life than that of the original investment.

The interim additions used to calculate the study rates were determined from an analysis of Company historical retirement experience. The interim retirements for all years were determined from an analysis of historical retirement experience. The analyses were conducted by plant and account and covered the entire history of each plant, thus making evident the influence of the age of the plant on the magnitude of interim additions and retirements. Separate ratios were determined for each Steam, Nuclear, Hydro and Other Production Plant account.

The analysis of interim additions consisted of relating the sum of the past interim additions to the sum of the interim retirements. Original additions were excluded. The interim additions are expressed as a ratio

of interim retirements and, thus, are the number of interim additions for each dollar of interim retirements. For this study, the interim additions were set equal to interim retirements, assuming replacement in kind.

Any plant investment currently in service that is not expected to survive to the plant's retirement date is referred to as an interim retirement. As interim retirements will affect the ASL of its property group, similar to interim additions, it is important to identify and project all anticipated interim retirements as part of the depreciation rate development process. The interim retirement analysis consisted of relating the sum of the past interim retirements, to the sum of the depreciable balances. When expressed as a percentage, the interim retirement ratio is the depreciation rate that would have recovered an amount equal to the total interim retirements.

The Company has relevant interim salvage and cost of removal experience for Production Plant, but has no terminal salvage and cost of removal experience. Terminal net salvage factors were determined from an analysis of site-specific demolition cost studies of other utilities.

Transmission, Distribution, General, and Common Plant

An analysis of historical retirement activity, suitably tempered by informed judgment as to the future applicability of such activity to surviving property, formed the basis for the determination of average service lives and retirement dispersion patterns for Transmission, Distributions, General, and Common Plant. Retirement experience through December 31, 2001, was analyzed using either the actuarial or the simulation method of Life Analysis.

The actuarial method determines survivor curves for selected periods of actual retirement experience. In order to recognize trends in life characteristics that are helpful in understanding history, actual survivor curves were calculated for several different periods of retirement experience. The periods (year bands) of retirement experience analyzed for most property groups were the past 5, 10, 15 and 20 years. The

actual survivor curve for each of these year bands was plotted, and the Iowa-type curves were visually fitted to ensure that the valuable information contained in the curves is available to the analyst and that computer calculations are not allowed to be the sole determinant of study results.

The Simulated Balances procedure consists of applying survivor ratios for Iowa-type dispersion patterns to gross additions in order to calculate annual balances, and then comparing the calculated balances with the actual annual balances for several periods of retirement experience, followed by statistical comparisons of the calculated balances over the period with the actual balances for the same period.

Through an iterative procedure, a computer program calculates the best-fitting ASL for each of the 26 Iowa-type left, symmetrical and right modal dispersion patterns, using the most recent year as a starting point, and then backs up one year and repeats the process. Thus, trends are shown, both by using different periods of retirement experience, and by making calculations as if the study was done at the end of each of the last 10 years.

The Simulated Retirements procedure is similar, except that the retirement frequency rates of the Iowa-type patterns are utilized to calculate annual retirements, and the comparisons are to actual retirements rather than to balances. The Simulated Retirements procedure is more sensitive in recognizing change more quickly than does the Simulated Balances procedure.

The periods of retirement experience analyzed for the Simulation method were the past 5 years, the past 10 years, the past 20 years, the past 30 years and the past 40 years. Simulated Balances and Simulated Retirements methods of Life Analysis were used for property groups where dated retirements are not available.

For property groups having little retirement experience or having experience that is not a reasonable indication of the expected mortality characteristics of the surviving property, evaluation of the significance of history played a major role in selecting the mortality characteristics. The importance of this aspect of the study and its influence on the study are discussed later.

SALVAGE AND COST OF REMOVAL ANALYSIS

Salvage and cost of removal experience from 1987 through 2001 was the basis for determining the net salvage factors shown in Column 10 of Schedule 3. Salvage and cost of removal amounts are available at the account level. The analyses were done in a manner that allows the determination of separate salvage and cost of removal factors for each depreciable property group. Net salvage is negative when cost of removal exceeds salvage and is positive when salvage exceeds cost of removal. For Production Plant, separate interim net salvage factors were determined, but terminal net salvage factors were determined by site-specific demolition cost studies of other utilities.

The initial step of the analysis consisted of calculating the experienced salvage and cost of removal factors for each property group by dividing salvage amounts received and cost of removal amounts incurred by the original cost of the retired property that produced the salvage and cost of removal. Thus, both the cause (retirement) and the effect (salvage and/or cost of removal) are appropriately related. Factors are expressed as percentages and were calculated for annual placement bands of retirement experience.

The sensitivity of net salvage factors to the age of retired property is significant, because of the nature of the Life Analysis and Salvage and Cost of Removal Analysis procedures utilized. The Life Analysis determines the terminal ASL applicable to original installations. The Salvage and Cost of Removal Analysis procedure utilizes unaged data and does not determine the terminal net salvage factors applicable to original installations if the age of retirements is not about the same as the ASL. If the age

of retirements is less than ASL, salvage factors will normally be overstated and cost of removal factors understated. If the age of retirements is greater than ASL, salvage factors will normally be understated and cost of removal factors overstated. When either of these situations exist, some compensation is appropriate, although no recognition was made in this study for this situation.

As with the Life Analysis, the results of the Salvage and Cost of Removal Analysis were evaluated to the extent considered necessary to ensure applicability to the surviving property. The considerations were similar in nature to those applicable to the Life Analysis.

EVALUATION OF ACTUAL EXPERIENCE

Life Analysis and Salvage and Cost of Removal Analysis involve historical retirement experience. Since the depreciation rates are to be applied to surviving property, the historical mortality experience indicated by the analyses must be carefully evaluated to ensure that the mortality characteristics used to calculate the depreciation rates are applicable to surviving property. This evaluation is required to ensure the validity of the study depreciation rates.

The evaluation process requires knowledge of the type of property surviving, the type of property retired, the reasons for changing life, dispersion, salvage and cost of removal, and the effect of present and future plans on property life. The evaluation included discussions with SCANA and SCE&G accounting, engineering and operating personnel, determination of the type of property carried in a number of the accounts, and special analyses of retirements to identify the type of property retired and reasons for retirement and to determine if the initial step of the Salvage and Cost of Removal Analysis measured terminal conditions.

For the generating units, the Life Analysis using the actuarial method was found to not provide a reasonable indication of life, but was useful in identifying interim retirement patterns. The site-specific cost estimates provide a reasonable indication of terminal removal cost. The Salvage and Cost of

Removal Analysis was found to be a reasonable indication of interim net salvage, and was so used. The terminal net salvage selections consider the nature of the facilities and removal cost estimates for dismantling steam units.

CALCULATION OF DEPRECIATION RATES

The recommended depreciation rates for all depreciable property groups were calculated using the following remaining life formula:

$$\text{Rate} = \frac{\text{Plant Balance} - \text{Future Net Salvage} - \text{Book Reserve}}{\text{Average Remaining Life}}$$

These formulas demonstrate that a remaining life rate recognizes *future* net salvage and the book reserve position and that both the numerator and denominator are future oriented.

Formula numerator elements in percentage of depreciable plant balance and the denominator element in years produce a rate in percent. The depreciable balance for each property group and book reserve for each functional group is from accounting records. The plant balances utilized for depreciation rate calculations are for Account 101.

The functional book reserves were allocated for General and Common depreciable groups based on calculated theoretical reserve amounts; the remaining functions utilized book reserves by account. The average service lives and net salvage factors were determined by the study. The remaining lives for the generating units were determined from generating unit retirement dates.

SCE&G furnished the estimated retirement dates used in this study for the depreciation rate calculation. These dates are developed as part of SCE&G's resource planning process. These depreciation rates provide for the full recovery of its service value by these dates. Service value is the original cost of an asset less its net salvage value. All production plant retirement dates are presented on Schedule 4.

RESULTS

The interim addition and retirement ratio, interim and terminal net salvage factors and retirement dates used to determine the remaining life spans used to calculate the recommended generating unit depreciation rates are shown on Schedules 2 and 4. The ASL retirement dispersion pattern and net salvage factor used to calculate each recommended depreciation rate for Transmission, Distribution, General and Common Plant are also shown on Schedule 3. The mortality characteristics for the existing rates are also shown. For most property groups, changes to mortality characteristics follow the trends indicated by the recent retirement experience. This is the retirement experience of the past 10 to 20 years for the Life Analysis and the past five years for the Salvage and Cost of Removal Analysis. Life trends are mostly increases, and net salvage trends are mostly decreases due to decreased salvage and increased cost of removal. The increasing age of retirements that is causing many property groups to exhibit increased average service lives is also responsible for changes in salvage and cost of removal, because older property is less valuable, and cost escalation has caused removal costs to increase. Based on December 31, 2001, depreciable balances, the recommended account depreciation rates produce a composite rate of 3.34%.

Steam Production Plant

The composite rate resulting from the recommended depreciation rates for Steam Production is 4.41%. This is an increase over the existing composite rate of 3.77%. The most significant factor to the change is new pollution control investments.

The interim and terminal net salvage factors are shown in Columns 8 and 9 of Schedule 2. The interim net salvage factors are based on SCE&G's experience. The terminal net salvage factors consider the nature of the facilities, and the site-specific demolition cost estimates of other utilities.

Nuclear Production Plant

For Nuclear Production Plant, an increase attributable to new steam generators was not reflected. This was done due to the timing of the application for relicensing with the Nuclear Regulatory Commission and the likelihood that a change would occur again. Avoiding a “yo-yo” effect for this function seems to be the most reasonable and prudent action at this time.

Hydraulic Production Plant

The change in Hydraulic Production Plant is very minor. The depreciation rate increased very slightly from 1.92% to 2.01% and is primarily attributable to new investment.

Other Production Plant

Other Production Plant has a composite rate of 4.64%. This is an increase over the existing rate of 3.36%. The increase is a result of new investment and recognition of terminal net salvage.

Transmission Plant

The recommended account depreciation rates produce a composite rate of 3.04%, which is an increase from the existing 2.40%. Greatest weight was given to recent experience by moving toward indicated trends, with consideration given to SCE&G’s service life expectations. The net salvage factors generally became more negative, which more than offset the life increases.

Distribution Plant

The recommended account depreciation rates produce a composite rate of 2.67%, which is a decrease from the existing 2.78%. Greatest weight was given to recent experience by moving toward indicated

trends, with consideration given to SCE&G's service life expectations. In general, average service lives have increased and net salvage factors are only slightly more negative for this function.

General Plant

The recommended account depreciation rates produce a composite rate of 5.54%, which is a decrease from the existing 7.61%. All accounts, except 390, will continue to be amortized as previously authorized and reflected in the existing parameters. The net salvage factor selected is zero and is applicable to all accounts, except Structures and Improvements, for which the recommendation is negative 10%.

Common Plant

The recommended account depreciation rates produce a composite rate of 12.08%, which is an increase from the existing 7.61%. All accounts, except for 690, are being amortized in accordance with prior approval and the existing parameters. The net salvage factor selected is zero and applicable to all accounts except Structures and Improvements, for which the recommendation is negative 10%.

The Appendix contains a more detailed analysis, by account, of the changes from the prior study and the current study for all property functions.

NEW PROJECTS

The Company has two generation plants that have gone on line or will be going on, but fell outside of the depreciation study date. The following provides a general description of the projects and the proposed depreciation rate to be applied when they are placed in-service.

Urquhart Repowering Project

This project entails the installation of two new combustion turbine generators, for approximately \$233 million, at the Urquhart Station in Beech Island, in Aiken County. The turbine generators are General Electric 7FA, with a rating of approximately 150 MW each. Two of the existing Urquhart steam turbine-generators, with a capacity of approximately 75 MW each, will be re-powered by steam produced in two new heat recovery steam generators using the exhaust heat from the two new combustion turbines. An inlet chiller for the combustion turbines will be installed to provide an additional 41 MW capacity during the summer peaking months. The total combined-cycle capacity for these units will be approximately 491 MW.

The existing coal-fired boilers for Units 1 and 2 will be shut down. Unit 3's coal-fired boiler will continue to operate. The combined cycle units will be capable of firing natural gas or distillate (No.2) fuel oil, with natural gas being the primary fuel.

Jasper

The Jasper County Generation Project is located on a rural site near Hardeeville in South Carolina and is expected to cost approximately \$475 million. The plant will be composed of three General Electric 7FA combustion turbine generators, three heat recovery steam generators (HRSG) and one steam turbine generator. The HRSG's 300 MW convert heat in the exhaust from the combustion turbines into steam, which then powers the steam turbine to generate additional electricity. The combustion turbines will be equipped with inlet chilling to maximize the output of the plant during hot weather. The plant will generate approximately 775 net megawatts during the winter and 750 net megawatts during the summer. The plant will have the capability to generate additional "peaking" output of up to 120 megawatts using

supplementary firing. The peak output from the plant will be approximately 900 megawatts during the winter and 875 megawatts during the summer.

The primary fuel type will be natural gas with distillate (No. 2) fuel oil as a back up. The plant will include various systems to minimize the NOx emissions, as well as low sulfur distillate oil will be used to minimize oxide of sulfur emission when burning oil. The Beaufort-Jasper Water and Sewer Authority will supply the water required for the operation of the plant.

We are recommending a basic depreciation rate of 4.00% for both the Urquhart and Jasper projects.

RESERVE COMPARISON

Since remaining life rates are recommended, a comparison of the accumulated provision for depreciation at December 31, 2001, with the calculated theoretical reserve is meaningless, and no comparison is presented. The only way a difference can exist is through use of whole life rates.

RECOMMENDATIONS

Our recommendations for your future actions in regard to book depreciation are as follows:

1. We recommend adoption of the annual depreciation rate shown in Column 6 of Schedule 1 for each property group, at such time as the Public Service Commission of South Carolina allows its effect to be incorporated into tariffs.
2. Because of variation and net salvage experience with time, a complete depreciation study of all property should be made not later than 2006 based on retirement experience through December 31, 2005. The exact timing of the study should be coordinated with rate cases to ensure timely implementation of revised depreciation rates.
3. Consider the use of the Equal Life Group (ELG) depreciation procedure.

Appendix

Transmission Plant

Account 352, Structures and Improvements

The recommendations for this account have been split to reflect facilities at the V.C. Summer Nuclear facility from everything else. For the V.C. Summer facility, the life was decreased from 50 years to 38.5 years and a change in dispersion from an R3 to SQ was made. Net salvage changed from negative 1% to zero. The depreciation rate applicable to the V.C. Summer assets decreased from 2.78% to 2.31%. For all other property in this account (the majority of account assets), the ASL was increased from the existing 50 years to 55 years and the R3 dispersion retained. The net salvage factor changed from the existing negative 10% to negative 50%, which reflects recent experience. The resulting depreciation rate for these assets increased from 1.71% to 2.78%.

Account 353, Station Equipment

This account has been segregated to provide appropriate recognition to particular generation-related assets. There have been both increases and decreases in the ASL depending on the location. The dispersion for these assets has been determined to be SQ, which gives recognition to the span life of the generation facilities. For a specific comparison between the existing parameters and those in this study, refer to Schedule 3. The composite depreciation rate for this account increased from 1.95% to 2.31%.

Account 354, Towers and Fixtures

There has been very little activity since the prior study. Our recommendations for this account are based on the full experience band. We recommend increasing the ASL from 53 years to 60 years and a slight change in curve from an S4 to an R4. The existing net salvage factor of negative 25% is changed to negative 20%, based on the full experience band due to limited activity. As a result the depreciation rate decreases from 2.32% to 1.66%.

Account 355, Poles and Fixtures

The actuarial and SPR balances analysis yielded similar results for ASL. The 5-year band aggregate average and the actuarial 5-year band are the basis for increasing the existing 51-year ASL to 55 years.

The curve shape is changed to a slightly steeper pattern from an R1.5 to an R2.5. Company input confirmed these recommendations by indicating that improved maintenance routines and continued training of personnel should contribute to a longer life. Our net salvage recommendation is a move toward the historical indications, which are consistent across the full, 10 and 5-year bands. The change is to decrease net salvage from negative 60% to negative 100%. The resulting depreciation rate is an increase from 3.13% to 3.93%.

Account 356, Overhead Conductors and Devices

The ASL and curve indications are consistent across the bands analyzed. Our recommendation is to move the ASL toward the indications by increasing the existing ASL of 53 years to 60 years and to retain the existing R3 dispersion. Both salvage and cost of removal show declines across the bands analyzed, but are still higher than the existing. We recommend 30% salvage, 100% cost of removal, resulting in a net salvage factor of negative 70% compared to the existing negative net salvage factor of 20%.

Account 357, Underground Conduit

There have been no retirements since 1984 and the balance has increased 21% since the prior study. Our recommendation would be to retain the existing 50-year ASL, the R4 curve and zero net salvage, as there is no reason to change at this time. The depreciation rate decreases, as a result of the reserve position, from 1.99% to 1.84%.

Account 358, Underground Conductors and Devices

No retirements have been recorded over the past 10 years and the balance has increased only 2% since the last study. We see no reason to change from the existing 40 year ASL, R2.5 curve and zero net salvage. The depreciation rate does decrease, as a result of the reserve position, from 2.50% to 2.44%.

Account 359, Roads and Trails

This account is nearly fully depreciated. We would recommend writing off this account due to its de minimus balance. If the Company chooses to continue depreciating, we would retain the existing 60-year ASL, SQ curve and zero net salvage. This produces a decrease in depreciation rate from 1.12% to .77%.

Distribution Plant

Account 361, Structures and Improvements

Reliance was placed on the full band, which increased the ASL from 50 years to 55 years. The curve was also changed from an R3 to an R2. The existing net salvage factor of negative 5% was retained. The depreciation rate increased from 1.95% to 2.04% due to the reserve position.

Account 362, Station Equipment

The current study indications suggest an increase in life as well as a change in dispersion. These changes are attributable to the Company's enhanced maintenance program and training of maintenance personnel. Our recommendation is a 60-year ASL with an R1.5 curve, which is a change from the existing 51-year ASL and R3 curve. The net salvage factor is a change from negative 4% to negative 15% and reflects the 10-year experience band. The depreciation rate increases from 1.81% to 2.14%, which is due to more negative net salvage and the reserve position.

Account 364, Poles, Towers and Fixtures

Reliance is placed on the full (11 year) actuarial experience band and the indications from the SPR balance analysis. Our recommendation reflects an increase from the existing 40-year ASL and R1 to a 43 year ASL and an R1.5 and was confirmed by Company input that pole treatment programs and increased

inspections should be increasing the life. The net salvage recommendation is also changed from the existing negative 20% to negative 15%. The resulting depreciation rate is a decrease from 2.77% to 2.29%.

Account 365, Overhead Conductors and Devices

Study indications are an increasing ASL. Our recommendation reflects those indications with an ASL slightly higher than poles and an increase over the existing. We moved from a 42-year ASL and an R1.5 to 45 years and an R2.5. Salvage and cost of removal indications were consistent across the bands analyzed. We reflect more negative net salvage by selecting 35% salvage, 60% cost of removal, which is a negative net salvage factor of 25% compared to the existing negative 10%. The resulting depreciation rate is an increase from 2.44% to 2.52%.

Account 366, Underground Conduit

We see no reason to change the existing life of 40 years and the R3 curve. The salvage and cost of removal indications are consistent across the bands analyzed, which are reflected in our selection. We have chosen 20% salvage and 40% cost of removal, which gives a net salvage factor of negative 20% and is a change from the existing negative 10%. The depreciation rate increases from 2.66% to 2.78%.

Account 366.1, Underground Conduit (Network)

The same mortality characteristics selected for Account 366, Underground Conduit have been applied to this account as well. The existing life of 60 years and an R4 were changed to 40 years and an R3. Net salvage went from a negative 10% to negative 15%. The resulting depreciation rate was an increase from 1.65% to 2.45%

Account 367, Underground Conductors and Devices

Based on Company information that improvements have been made in the design and manufacturing of various components in this account and reliance on the full experience band, an increase in ASL was

made from 28 years to 33 years with the R3 curve retained. Salvage and cost of removal were consistent across the bands analyzed, resulting in the selection of 30% salvage, 50% cost of removal for a net salvage factor of negative 20%. This is a change from positive net salvage of 2%. The depreciation rate increased from 3.33% to 3.81%.

Account 367.1, Underground Conductors and Devices (Network)

The mortality selections for Account 367, Underground Conductors and Devices were applied to this account. The resulted in a decrease in ASL from 35 years to 33 years, an S2.5 to an R3 curve and net salvage from positive 2% to negative 20%. The result is an increase in depreciation rate from 2.21% to 3.81%.

Account 368, Line Transformers

Based on the full (11 year) actuarial experience band and the SPR balances analysis the ASL was trending upward. Our recommendation is to increase the existing life of 33 years to 38 years. We are also recommending a change in the curve shape from an R2 to an S0.5. The net salvage factor has also changed from the existing negative 15% to zero based on the most recent experience. All of this results in decreasing the depreciation rate from 3.06% to 2.11%.

Account 369.1, Overhead Services

The services account has been split into two separate categories, overhead and underground, for analysis and determination of average service life and dispersion. The salvage and cost of removal analysis could not be split so a combined analysis was performed and those selections were used for both overhead and underground.

For overhead services, the aggregate average life under both the SPR balances and retirements indicate an ASL increase. Based on those indications, our recommendation is to increase the existing 43-year life to 50 years and retain the R2 curve. The salvage and cost of removal analysis results are consistent

across the bands, which result in a change in net salvage from a negative 70% to a negative 50%. The resulting depreciation rate is a decrease from 3.57% to 2.77%.

Account 369.2, Underground Services

The ASL is increasing across the bands and in both the SPR balances and retirements analysis. Our recommendation reflects a strong move toward those indications by increasing the life from the existing 35-year life to 60 years. The dispersion is changed from an L3 to an R3. The net salvage factor is also changed from negative 10% to negative 50%. The result is to decrease the depreciation rate from 2.94% to 2.34%.

Account 370, Meters

The Company's expectations are that solid-state meters will begin to replace the old electro-mechanical meters and they will have a shorter life, but we have not begun to see that type of activity. While the Company believes the life of meter should be closer to 35 years, the historical analysis suggest a life increase from the existing 38 years to 45 years and a change in dispersion from an R1 to an S-.5. The net salvage factor was changed from negative 10% to zero. The depreciation rate decreases from 2.71% to 1.66%

Account 373, Street Lighting and Signal Systems

Based on the full (11 year) and 5-year actuarial experience band the ASL has been decreased from 32 years to 27 years. The curve has also changed from an R1 to a steeper R3 pattern. Net salvage has also changed from the existing negative 10% to negative 20%. The resulting depreciation rate increased from 3.22% to 4.90%.

General Plant

Account 390, Structure and Improvements

The ASL and curve recommendation are based upon the most recent (5-year) experience band. This will increase the life from the existing 35 years to 37 years and change the dispersion slightly from an R3 to an R2.5. The net salvage recommendation is also based on the most recent (5-year) experience band, which changes the net salvage factor from zero to negative 10%. The resulting depreciation rate is a decrease from 3.19% to 2.90%.

Accounts 391.1, 391.2, 391.3, 391.4, 393, 394, 395, 397, and 398

Our study recommendations are to retain the existing life, the SQ curve and zero net salvage for the above accounts in recognition of general plant amortization accounting. This is consistent with the prior study results.

Common Plant

Account 690, Structure and Improvements

The ASL in the current study is declining in the more recent (5 year) experience band, but that life is consistent with the existing life of 35 years and should be retained. We see no reason to change the R3 curve, so it is retained also. More salvage has been recorded in recent years, but is not reflective of overall expectations. Our recommendation is zero salvage and 10% cost of removal, which is shown in the full (15 year) experience band. This results in a negative 10% net salvage factor compared to the existing zero. The resulting depreciation rate is an increase from 2.57% to 3.76%.

Accounts 691.1, 691.2, 691.3, 691.4, 693, 694, 695, 697, and 698

Our study recommendations are to retain the existing life, the SQ curve and zero net salvage for the above accounts in recognition of general plant amortization accounting. This is consistent with the prior study results.

SOUTH CAROLINA ELECTRIC & GAS COMPANY
Comparison of Depreciation Rates and Annual Accrual
Depreciation Study as of December 31, 2001

SCHEDULE 1

[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]
Account Number	Description	12/31/2001 Balance \$	Existing Rate %	Annual Accrual \$	Study Rate %	Annual Accrual \$	Increase or (Decrease) \$
<u>STEAM PRODUCTION</u>							
<u>URQUHART</u>							
311.0	Structures and Improvements	14,936,535	3.10	463,033	3.43	512,323	49,291
312.0	Boiler Plant Equipment	36,062,605	3.96	1,428,079	5.11	1,842,799	414,720
314.0	Turbogenerator Units	24,686,395	4.36	1,076,327	4.81	1,187,416	111,089
315.0	Accessory Electric Equipment	7,683,625	3.88	298,125	4.82	370,351	72,226
316.0	Misc. Power Plant Equipment	1,990,845	4.75	94,565	6.44	128,210	33,645
	Total Urquhart	85,360,005	3.94	3,360,128	4.73	4,041,099	680,971
<u>MCMEEKIN</u>							
311.0	Structures and Improvements	11,721,807	3.58	419,641	3.74	438,396	18,755
312.0	Boiler Plant Equipment	79,418,283	4.94	3,923,263	6.09	4,836,573	913,310
314.0	Turbogenerator Units	15,079,981	3.63	547,403	3.25	490,099	(57,304)
315.0	Accessory Electric Equipment	4,382,577	4.63	202,913	4.39	192,395	(10,518)
316.0	Misc. Power Plant Equipment	4,068,444	4.60	187,148	5.82	236,783	49,635
	Total McMeekin	114,671,092	4.60	5,280,369	5.40	6,194,247	913,878
<u>CANADYS</u>							
311.0	Structures and Improvements	25,473,730	3.98	1,013,854	3.61	919,602	(94,253)
312.0	Boiler Plant Equipment	121,360,973	4.21	5,109,297	5.25	6,371,451	1,262,154
314.0	Turbogenerator Units	51,901,612	4.33	2,247,340	4.04	2,096,825	(150,515)
315.0	Accessory Electric Equipment	10,872,194	4.31	468,592	3.19	346,823	(121,769)
316.0	Misc. Power Plant Equipment	3,313,265	4.56	151,085	4.62	153,073	1,988
	Total Canadys	212,921,774	4.22	8,990,168	4.64	9,887,774	897,606
<u>WATEREE</u>							
311.0	Structures and Improvements	26,662,518	3.38	901,193	3.98	1,061,168	159,975
312.0	Boiler Plant Equipment	142,386,147	4.24	6,037,173	5.62	8,002,101	1,964,929
314.0	Turbogenerator Units	50,088,364	3.88	1,943,429	4.45	2,228,932	285,504
315.0	Accessory Electric Equipment	10,737,548	3.67	394,068	2.86	307,094	(86,974)
316.0	Misc. Power Plant Equipment	2,754,397	4.16	114,583	4.72	130,008	15,425
	Total Wateree	232,628,974	4.04	9,390,445	5.04	11,729,303	2,338,858
<u>COPE</u>							
311.0	Structures and Improvements	60,830,035	2.88	1,751,905	2.86	1,739,739	(12,166)
312.0	Boiler Plant Equipment	258,704,354	3.23	8,356,151	3.96	10,244,692	1,888,542
314.0	Turbogenerator Units	83,759,618	3.10	2,596,548	3.34	2,797,571	201,023
315.0	Accessory Electric Equipment	22,264,479	3.08	685,746	3.00	667,934	(17,812)
316.0	Misc. Power Plant Equipment	6,339,553	3.28	207,937	3.41	216,179	8,241
	Total Cope	431,898,039	3.15	13,598,287	3.63	15,666,116	2,067,829
	Total Steam Production	1,077,479,884	3.77	40,619,397	4.41	47,518,539	6,899,142
<u>NUCLEAR PRODUCTION</u>							
321.0	Structures and Improvements	243,697,295	2.38	5,799,996	2.38	5,799,996	0
322.0	Reactor Plant Equipment	422,768,568	2.55	10,780,598	2.55	10,780,598	0
323.0	Turbogenerator Units	87,293,280	2.53	2,208,520	2.53	2,208,520	0
324.0	Accessory Electric Equipment	95,671,665	2.49	2,382,224	2.49	2,382,224	0
325.0	Misc. Power Plant Equipment	75,248,388	3.02	2,272,501	3.02	2,272,501	0
	Total Nuclear Production	924,679,196	2.54	23,443,840	2.54	23,443,840	0
<u>HYDRAULIC PRODUCTION</u>							
<u>COLUMBIA</u>							
331.0	Structures and Improvements	348,085	5.63	19,597	6.30	21,929	2,332
332.0	Reservoirs, Dams and Waterways	4,572,253	6.15	281,194	6.74	308,170	26,976
333.0	Waterwheels, Turbines & Generators	1,484,441	5.72	84,910	10.78	160,023	75,113
334.0	Accessory Electric Equipment	1,086,171	5.70	61,912	14.78	160,536	98,624
335.0	Misc. Power Plant Equipment	85,589	5.65	4,836	9.71	8,311	3,475
336.0	Roads, Railroads and Bridges	14,082	6.11	860	4.51	635	(225)
	Total Columbia	7,590,621	5.97	453,309	8.69	659,604	206,295

SOUTH CAROLINA ELECTRIC & GAS COMPANY
Comparison of Depreciation Rates and Annual Accrual
Depreciation Study as of December 31, 2001

SCHEDULE 1

[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]
Account Number	Description	12/31/2001 Balance \$	Existing Rate %	Annual Accrual \$	Study Rate %	Annual Accrual \$	Increase or (Decrease) \$
<u>NEAL SHOALS</u>							
331.0	Structures and Improvements	520,222	3.51	18,260	4.15	21,589	3,329
332.0	Reservoirs, Dams and Waterways	1,267,028	0.88	11,150	1.83	23,187	12,037
333.0	Waterwheels, Turbines & Generators	1,866,022	3.45	64,378	4.05	75,574	11,196
334.0	Accessory Electric Equipment	204,262	3.13	6,393	5.16	10,540	4,147
335.0	Misc. Power Plant Equipment	151,061	3.64	5,499	6.44	9,728	4,230
336.0	Roads, Railroads and Bridges	2,645	4.65	123	5.64	149	26
	Total Neal Shoals	4,011,240	2.64	105,802	3.51	140,767	34,965
<u>PARR</u>							
331.0	Structures and Improvements	1,259,898	3.54	44,600	5.17	65,137	20,536
332.0	Reservoirs, Dams and Waterways	1,902,681	2.45	46,616	1.36	25,876	(20,739)
333.0	Waterwheels, Turbines & Generators	923,703	3.26	30,113	4.50	41,567	11,454
334.0	Accessory Electric Equipment	1,091,346	4.06	44,309	6.47	70,610	26,301
335.0	Misc. Power Plant Equipment	93,212	3.74	3,486	5.96	5,555	2,069
336.0	Roads, Railroads and Bridges	43,121	2.17	936	3.44	1,483	548
	Total Parr	5,313,961	3.20	170,059	3.96	210,229	40,169
<u>STEVENS CREEK</u>							
331.0	Structures and Improvements	1,781,542	3.21	57,187	4.23	75,359	18,172
332.0	Reservoirs, Dams and Waterways	1,796,113	1.65	29,636	1.10	19,757	(9,879)
333.0	Waterwheels, Turbines & Generators	1,219,319	2.05	24,996	3.23	39,384	14,388
334.0	Accessory Electric Equipment	1,877,151	4.11	77,151	6.76	126,895	49,745
335.0	Misc. Power Plant Equipment	718,784	3.03	21,779	6.50	46,721	24,942
	Total Stevens Creek	7,392,909	2.85	210,749	4.17	308,117	97,367
<u>SALUDA</u>							
331.0	Structures and Improvements	4,044,176	1.72	69,560	1.76	71,177	1,618
332.0	Reservoirs, Dams and Waterways	20,582,133	1.42	292,266	1.18	242,869	(49,397)
333.0	Waterwheels, Turbines & Generators	9,416,910	1.90	178,921	2.30	216,589	37,668
334.0	Accessory Electric Equipment	1,337,134	1.76	23,534	2.94	39,312	15,778
335.0	Misc. Power Plant Equipment	546,012	2.30	12,558	2.77	15,125	2,566
336.0	Roads, Railroads and Bridges	201,474	1.86	3,747	1.99	4,009	262
	Total Saluda	36,127,839	1.61	580,587	1.63	589,081	8,495
<u>FAIRFIELD PUMPED STORAGE</u>							
331.0	Structures and Improvements	35,126,801	1.13	396,933	1.49	523,389	126,456
332.0	Reservoirs, Dams and Waterways	75,623,438	1.05	794,046	1.37	1,036,041	241,995
333.0	Waterwheels, Turbines & Generators	58,264,587	2.64	1,538,185	1.96	1,141,986	(396,199)
334.0	Accessory Electric Equipment	5,974,218	4.49	268,242	2.30	137,407	(130,835)
335.0	Misc. Power Plant Equipment	4,321,086	2.10	90,743	1.97	85,125	(5,617)
336.0	Roads, Railroads and Bridges	1,328,336	1.03	13,682	1.36	18,065	4,384
	Total Fairfield Pumped Storage	180,638,466	1.72	3,101,831	1.63	2,942,014	(159,817)
	Total Hydraulic Production	241,075,036	1.92	4,622,338	2.01	4,849,812	227,474
<u>OTHER PRODUCTION</u>							
<u>BURTON</u>							
341.0	Structures and Improvements	284,884	5.47	15,583	18.65	53,131	37,548
342.0	Fuel Holders, Producers & Access.	120,766	3.67	4,432	6.45	7,789	3,357
343.0	Prime Movers	984,331	5.58	54,926	10.65	104,831	49,906
344.0	Generators	3,124,473	0.27	8,436	1.10	34,369	25,933
345.0	Accessory Electric Equipment	43,689	4.59	2,005	9.28	4,054	2,049
346.0	Misc. Power Plant Equipment	3,524	3.49	123	5.20	183	60
	Total Burton	4,561,667	1.87	85,505	4.48	204,358	118,853

SOUTH CAROLINA ELECTRIC & GAS COMPANY
Comparison of Depreciation Rates and Annual Accrual
Depreciation Study as of December 31, 2001

SCHEDULE 1

[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]
Account Number	Description	12/31/2001 Balance \$	Existing Rate %	Annual Accrual \$	Study Rate %	Annual Accrual \$	Increase or (Decrease) \$
<u>FABER PLACE</u>							
341.0	Structures and Improvements	85,925	0.02	17	11.21	9,632	9,615
343.0	Prime Movers	78,432	0.54	424	9.97	7,820	7,396
344.0	Generators	983,677	0.01	98	1.07	10,525	10,427
345.0	Accessory Electric Equipment	28,687	5.08	1,457	11.70	3,356	1,899
346.0	Misc. Power Plant Equipment	4,871	0.94	46	1.86	91	45
	Total Faber Place	1,181,592	0.17	2,042	2.66	31,424	29,382
<u>HARDEEVILLE</u>							
341.0	Structures and Improvements	24,190	0.00	0	10.28	2,487	2,487
342.0	Fuel Holders, Producers & Access.	121,796	0.00	0	6.44	7,844	7,844
343.0	Prime Movers	743,393	0.00	0	11.38	84,598	84,598
344.0	Generators	1,166,723	0.00	0	0.80	9,334	9,334
345.0	Accessory Electric Equipment	106,052	0.00	0	1.60	1,697	1,697
346.0	Misc. Power Plant Equipment	3,522	0.00	0	1.75	62	62
	Total Hardeeville	2,165,676	0.00	0	4.90	106,021	106,021
<u>URQUHART (2006)</u>							
341.0	Structures and Improvements	103,872	7.19	7,468	17.61	18,292	10,823
342.0	Fuel Holders, Producers & Access.	74,239	0.67	497	14.24	10,572	10,074
343.0	Prime Movers	135,481	7.52	10,188	18.73	25,376	15,187
344.0	Generators	3,182,985	0.00	0	2.49	79,256	79,256
345.0	Accessory Electric Equipment	81,795	0.00	0	14.07	11,509	11,509
346.0	Misc. Power Plant Equipment	15,874	0.00	0	17.10	2,714	2,714
	Total Urquhart	3,594,246	0.51	18,154	4.11	147,718	129,564
<u>URQUHART # 3 (2006)</u>							
344.0	Generators	1,389,027	0.00	0	2.06	28,614	28,614
<u>URQUHART # 4 (2019)</u>							
341.0	Structures and Improvements	191,465	4.00	7,659	1.98	3,791	(3,868)
342.0	Fuel Holders, Producers & Access.	872,152	4.00	34,886	2.98	25,990	(8,896)
344.0	Generators	20,833,079	4.00	833,323	5.47	1,139,569	306,246
345.0	Accessory Electric Equipment	216,447	4.00	8,658	5.37	11,623	2,965
	Total Urquhart # 4	22,113,143	4.00	884,526	5.34	1,180,974	296,448
<u>COIT</u>							
341.0	Structures and Improvements	70,550	6.17	4,353	4.83	3,408	(945)
342.0	Fuel Holders, Producers & Access.	1,031,044	4.33	44,644	9.11	93,928	49,284
343.0	Prime Movers	464,961	5.33	24,782	3.74	17,390	(7,393)
344.0	Generators	3,605,349	0.00	0	0.77	27,761	27,761
345.0	Accessory Electric Equipment	131,111	0.00	0	5.04	6,608	6,608
346.0	Misc. Power Plant Equipment	74,725	0.00	0	6.17	4,611	4,611
	Total Coit	5,377,740	1.37	73,780	2.86	153,705	79,925
<u>PARR</u>							
341.0	Structures and Improvements	641,011	7.14	45,768	9.07	58,140	12,372
342.0	Fuel Holders, Producers & Access.	594,354	0.00	0	4.21	25,022	25,022
343.0	Prime Movers	2,291,010	0.00	0	8.51	194,965	194,965
344.0	Generators	3,379,062	0.00	0	2.23	75,353	75,353
345.0	Accessory Electric Equipment	104,684	0.00	0	4.48	4,690	4,690
346.0	Misc. Power Plant Equipment	105,240	0.00	0	5.58	5,872	5,872
	Total Parr	7,115,361	0.64	45,768	5.12	364,042	318,274

SOUTH CAROLINA ELECTRIC & GAS COMPANY
Comparison of Depreciation Rates and Annual Accrual
Depreciation Study as of December 31, 2001

SCHEDULE 1

[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]
Account Number	Description	12/31/2001 Balance \$	Existing Rate %	Annual Accrual \$	Study Rate %	Annual Accrual \$	Increase or (Decrease) \$
<u>BUSHY PARK</u>							
341.0	Structures and Improvements	339,090	7.00	23,736	9.27	31,434	7,697
342.0	Fuel Holders, Producers & Access.	97,688	6.85	6,692	4.92	4,806	(1,885)
343.0	Prime Movers	5,150,750	7.25	373,429	6.49	334,284	(39,146)
344.0	Generators	65,545	4.63	3,035	0.92	603	(2,432)
345.0	Accessory Electric Equipment	77,568	7.23	5,608	4.67	3,622	(1,986)
346.0	Misc. Power Plant Equipment	3,791	5.43	206	0.88	33	(172)
	Total Bushy Park	5,734,432	7.20	412,706	6.54	374,782	(37,924)
<u>HAGOOD</u>							
341.0	Structures and Improvements	3,264,122	4.03	131,544	4.31	140,684	9,140
342.0	Fuel Holders, Producers & Access.	2,358,887	4.13	97,422	5.38	126,908	29,486
343.0	Prime Movers	23,838,917	4.03	960,708	4.27	1,017,922	57,213
344.0	Generators	6,027,040	4.03	242,890	4.20	253,136	10,246
345.0	Accessory Electric Equipment	2,088,085	4.03	84,150	4.33	90,414	6,264
345.0	Step-up Transformer	1,821,483	4.03	73,406	4.28	77,959	4,554
346.0	Misc. Power Plant Equipment	45,924	4.35	1,998	5.28	2,425	427
	Total Hagood	39,444,458	4.04	1,592,118	4.33	1,709,448	117,330
	Total Other Production	92,677,342	3.36	3,114,598	4.64	4,301,087	1,186,488
	Total Production Plant	2,335,911,458	3.07	71,800,173	3.43	80,113,277	8,313,104
<u>TRANSMISSION PLANT</u>							
352.0	Structures and Improvements						
	V.C. Summer - Nuclear	605,051	2.78	16,820	2.31	13,977	(2,844)
	Other Locations	2,345,694	1.71	40,111	2.78	65,210	25,099
	Total Account 352	2,950,745	1.93	56,932	2.68	79,187	22,255
353.0	Station Equipment						
	V.C. Summer - Nuclear	6,558,969	2.60	170,533	2.31	151,512	(19,021)
	Parr - Hydro	375,936	0.10	376	7.65	28,759	28,383
	Fairfield Pumped Storage	1,009,222	1.60	16,148	1.18	11,909	(4,239)
	Saluda - Hydro	5,582,475	1.37	76,480	3.72	207,668	131,188
	Stevens Creek - Hydro	2,940,200	1.20	35,282	8.74	256,973	221,691
	Neal Shoals - Hydro	26,922	1.97	530	0.00	0	(530)
	Other Locations	142,929,258	1.97	2,815,706	2.12	3,030,100	214,394
	Total Account 353	159,422,982	1.95	3,115,056	2.31	3,686,922	571,866
353.1	Station Equip. - Step-up Transformers						
	V.C. Summer - Nuclear	6,360,413	2.60	165,371	8.11	515,829	350,459
	Wateree - Steam	1,210,511	2.40	29,052	2.39	28,931	(121)
	McMeekin - Steam	564,679	2.40	13,552	1.96	11,068	(2,485)
	Urquhart - Steam	1,016,543	2.40	24,397	5.47	55,605	31,208
	Canadys - Steam	930,902	2.40	22,342	2.40	22,342	0
	Williams - Steam	946,882	2.40	22,725	2.07	19,600	(3,125)
	Cope - Steam	6,020,025	2.40	144,481	3.07	184,815	40,334
	Columbia - Hydro	31,762	2.40	762	19.53	6,203	5,441
	Parr - Hydro	223,126	2.40	5,355	8.24	18,386	13,031
	Saluda - Hydro	595,189	1.37	8,154	3.27	19,463	11,309
	Fairfield Pumped Storage	3,468,542	1.60	55,497	2.28	79,083	23,586
	Bushy Park GT	150,417	2.40	3,610	6.89	10,364	6,754
	Faber Place GT	236,237	2.40	5,670	10.41	24,592	18,923
	Burton GT	87,054	2.40	2,089	11.55	10,055	7,965
	Hardeeville GT	47,492	2.40	1,140	7.57	3,595	2,455
	Coit GT	118,154	2.40	2,836	7.94	9,381	6,546
	Urquhart GT	71,583	2.40	1,718	9.71	6,951	5,233
	Total Account 353.1	22,079,511	2.30	508,750	4.65	1,026,262	517,512

SOUTH CAROLINA ELECTRIC & GAS COMPANY
Comparison of Depreciation Rates and Annual Accrual
Depreciation Study as of December 31, 2001

SCHEDULE 1

[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]
Account Number	Description	12/31/2001 Balance \$	Existing Rate %	Annual Accrual \$	Study Rate %	Annual Accrual \$	Increase or (Decrease) \$
354.0	Towers and Fixtures	5,453,095	2.32	126,512	1.66	90,521	(35,990)
355.0	Poles and Fixtures	124,072,685	3.13	3,883,475	3.93	4,876,057	992,581
356.0	Overhead Conductors and Devices	114,512,072	2.25	2,576,522	2.93	3,355,204	778,682
357.0	Underground Conduit	2,160,643	1.99	42,997	1.84	39,756	(3,241)
358.0	Underground Conductors and Devices	7,257,193	2.50	181,430	2.44	177,076	(4,354)
359.0	Roads and Trails	8,762	1.12	98	0.77	67	(31)
	Total Transmission Plant	437,917,688	2.40	10,491,771	3.04	13,331,052	2,839,281
	DISTRIBUTION PLANT						
361.0	Structures and Improvements	2,937,924	1.95	57,290	2.04	59,934	2,644
362.0	Station Equipment	181,013,176	1.81	3,276,338	2.14	3,873,682	597,343
364.0	Poles, Towers and Fixtures	202,314,747	2.77	5,604,118	2.29	4,633,008	(971,111)
365.0	Overhead Conductors and Devices	241,498,505	2.44	5,892,564	2.52	6,085,762	193,199
366.0	Underground Conduit	63,422,567	2.66	1,687,040	2.78	1,763,147	76,107
366.1	Network	7,119,002	1.65	117,464	2.45	174,416	56,952
367.0	Underground Conductors and Devices	164,628,258	3.33	5,482,121	3.73	6,140,634	658,513
367.1	Network	7,506,795	2.21	165,900	3.81	286,009	120,109
368.0	Line Transformers	247,968,460	3.06	7,587,835	2.11	5,232,135	(2,355,700)
369.1	Overhead Services	70,683,077	3.57	2,523,386	2.77	1,957,921	(565,465)
369.2	Underground Services	81,376,386	2.94	2,392,466	2.34	1,904,207	(488,258)
370.0	Meters	86,363,038	2.71	2,340,438	1.66	1,433,626	(906,812)
373.0	Street Lighting and Signal Systems	121,210,987	3.22	3,902,994	4.90	5,939,338	2,036,345
	Total Distribution Plant	1,478,042,922	2.78	41,029,954	2.67	39,483,819	(1,546,134)
	GENERAL PLANT						
390.0	Structures and Improvements	23,400,447	3.19	746,474	2.90	678,613	(67,861)
391.1	Office Furniture and Equipment	2,068,110	6.37	131,739	4.57	94,513	(37,226)
391.2	EDP Equipment	3,705,079	23.18	858,837	18.51	685,810	(173,027)
391.3	Data Handling Equipment	492,534	6.30	31,030	4.66	22,952	(8,078)
391.4	EDP (GIS) Equipment	2,420,433	23.18	561,056	9.84	238,171	(322,886)
393.0	Stores Equipment	294,997	5.03	14,838	3.77	11,121	(3,717)
394.0	Tools, Shop and Garage Equipment	3,791,056	6.41	243,007	4.58	173,630	(69,376)
395.0	Laboratory Equipment	5,629,763	5.61	315,830	4.69	264,036	(51,794)
397.0	Communication Equipment	25,467,497	8.89	2,264,060	6.19	1,576,438	(687,622)
398.0	Miscellaneous Equipment	2,460,065	5.73	140,962	4.88	120,051	(20,911)
	Total General Plant	69,729,981	7.61	5,307,833	5.54	3,865,335	(1,442,498)
	Total Depreciable Electric Plant	4,321,602,049	2.98	128,629,731	3.17	136,793,483	8,163,752
	COMMON PLANT						
690.0	Structures and Improvements	30,104,967	2.57	773,698	3.76	1,131,947	358,249
691.1	Office Furniture and Equipment	8,721,719	3.72	324,448	7.81	681,166	356,718
691.2	EDP Equipment	15,366,768	10.33	1,587,387	35.83	5,505,913	3,918,526
691.3	Data Handling Equipment	2,586,596	3.17	81,995	6.86	177,440	95,445
691.4	EDP (GIS) Equipment	13,901,218	10.33	1,435,996	12.90	1,793,257	357,261
693.0	Stores Equipment	461,161	2.93	13,512	7.19	33,157	19,645
694.0	Tools, Shop and Garage Equipment	992,434	2.59	25,704	6.47	64,210	38,506
695.0	Laboratory Equipment	299,029	3.64	10,885	6.93	20,723	9,838
697.0	Communication Equipment	12,083,337	5.33	644,042	8.43	1,018,625	374,583
698.0	Miscellaneous Equipment	3,856,076	4.36	168,125	6.45	248,717	80,592
	Total Common Plant	88,373,305	5.73	5,065,791	12.08	10,675,156	5,609,365
	Total Electric and Common Plant	4,409,975,354	3.03	133,695,522	3.34	147,468,640	13,773,118

SOUTH CAROLINA ELECTRIC & GAS COMPANY
Comparison of Mortality Characteristics
Depreciation Study as of December 31, 2001

SCHEDULE 2

[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]
Account Number	Description	Existing			Proposed			
		Average Service Life yrs.	Iowa Curve	Net Salvage %	Interim Addition Ratio	Interim Retirement Ratio	Interim Net Salvage %	Terminal * Net Salvage %
STEAM PRODUCTION PLANT								
311.0	Structures and Improvements				1.0	0.1500	(40.0)	(16.6)
	Urquhart	45.9	Life Span	(35.0)				
	McMeekin	41.8	Life Span	(27.0)				
	Canadys	34.3	Life Span	(31.0)				
	Wateree	45.7	Life Span	(43.0)				
	Cope	39.4	Life Span	(12.0)				
312.0	Boiler Plant Equipment				1.0	0.9000	(50.0)	(16.8)
	Urquhart	35.4	Life Span	(35.0)				
	McMeekin	27.0	Life Span	(27.0)				
	Canadys	32.6	Life Span	(31.0)				
	Wateree	35.5	Life Span	(43.0)				
	Cope	35.2	Life Span	(12.0)				
314.0	Turbogenerator Units				1.0	0.5000	(45.0)	(17.1)
	Urquhart	31.8	Life Span	(35.0)				
	McMeekin	44.3	Life Span	(27.0)				
	Canadys	31.5	Life Span	(31.0)				
	Wateree	39.5	Life Span	(43.0)				
	Cope	36.6	Life Span	(12.0)				
315.0	Accessory Electric Equipment				1.0	0.3000	(20.0)	(16.8)
	Urquhart	36.3	Life Span	(35.0)				
	McMeekin	29.6	Life Span	(27.0)				
	Canadys	31.6	Life Span	(31.0)				
	Wateree	42.8	Life Span	(43.0)				
	Cope	36.8	Life Span	(12.0)				
316.0	Miscellaneous Power Plant Equipment				1.0	0.7000	(10.0)	(16.6)
	Urquhart	29.0	Life Span	(35.0)				
	McMeekin	31.5	Life Span	(27.0)				
	Canadys	29.7	Life Span	(31.0)				
	Wateree	36.4	Life Span	(43.0)				
	Cope	34.6	Life Span	(12.0)				
NUCLEAR PRODUCTION PLANT								
V.C. Summer								
321.0	Structures and Improvements	37.1	Life Span	(1.0)	1.0	0.1000	0.0	0.0
322.0	Reactor Plant	36.1	Life Span	(1.0)	1.0	0.8000	0.0	0.0
323.0	Turbogenerator Units	34.8	Life Span	(1.0)	1.0	1.0000	(5.0)	0.0
324.0	Accessory Electric Equipment	35.2	Life Span	(1.0)	1.0	0.0700	0.0	0.0
325.0	Miscellaneous Power Plant Equipment	31.6	Life Span	(5.0)	1.0	1.0000	(5.0)	0.0

SOUTH CAROLINA ELECTRIC & GAS COMPANY
Comparison of Mortality Characteristics
Depreciation Study as of December 31, 2001

SCHEDULE 2

[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]
Account Number	Description	Existing			Proposed			
		Average Service Life yrs.	lowa Curve	Net Salvage %	Interim Addition Ratio	Interim Retirement Ratio	Interim Net Salvage %	Terminal * Net Salvage %
	<u>HYDRAULIC PRODUCTION PLANT</u>							
331.0	<u>Structures and Improvements</u>				1.0	0.1000	(30.0)	0.0
	Columbia	23.3	Life Span	(2.0)				
	Neal Shoals	26.5	Life Span	(2.0)				
	Parr	34.8	Life Span	(2.0)				
	Stevens Creek	32.4	Life Span	(2.0)				
	Saluda	59.0	Life Span	(2.0)				
	Fairfield	91.9	Life Span	(2.0)				
332.0	<u>Reservoirs, Dams and Waterways</u>				1.0	0.0150	(15.0)	0.0
	Columbia	19.8	Life Span	(2.0)				
	Neal Shoals	65.4	Life Span	(2.0)				
	Parr	73.9	Life Span	(2.0)				
	Stevens Creek	66.7	Life Span	(2.0)				
	Saluda	71.3	Life Span	(2.0)				
	Fairfield	99.0	Life Span	(2.0)				
333.0	<u>Waterwheels, Turbines and Generators</u>				1.0	0.3500	(30.0)	0.0
	Columbia	22.5	Life Span	(2.0)				
	Neal Shoals	26.8	Life Span	(2.0)				
	Parr	42.0	Life Span	(2.0)				
	Stevens Creek	52.6	Life Span	(2.0)				
	Saluda	53.7	Life Span	(2.0)				
	Fairfield	40.0	Life Span	(2.0)				
334.0	<u>Accessory Electric Equipment</u>				1.0	0.6000	(60.0)	0.0
	Columbia	22.6	Life Span	(2.0)				
	Neal Shoals	28.7	Life Span	(2.0)				
	Parr	27.9	Life Span	(2.0)				
	Stevens Creek	25.1	Life Span	(2.0)				
	Saluda	57.6	Life Span	(2.0)				
	Fairfield	24.0	Life Span	(2.0)				
335.0	<u>Miscellaneous Power Plant Equipment</u>				1.0	0.5000	(5.0)	0.0
	Columbia	23.1	Life Span	(2.0)				
	Neal Shoals	25.7	Life Span	(2.0)				
	Parr	32.3	Life Span	(2.0)				
	Stevens Creek	34.5	Life Span	(2.0)				
	Saluda	44.2	Life Span	(2.0)				
	Fairfield	49.8	Life Span	(2.0)				
336.0	<u>Roads, Railroads and Bridges</u>				1.0	0.0000	0.0	0.0
	Columbia	20.0	Life Span	(2.0)				
	Neal Shoals	21.1	Life Span	(2.0)				
	Parr	100.0	Life Span	(2.0)				
	Saluda	54.8	Life Span	(2.0)				
	Fairfield	100.0	Life Span	(2.0)				

SOUTH CAROLINA ELECTRIC & GAS COMPANY
Comparison of Mortality Characteristics
Depreciation Study as of December 31, 2001

SCHEDULE 2

[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]
<u>Account Number</u>	<u>Description</u>	<u>Existing</u>			<u>Proposed</u>			
		<u>Average Service Life</u> yrs.	<u>Iowa Curve</u>	<u>Net Salvage</u> %	<u>Interim Addition Ratio</u>	<u>Interim Retirement Ratio</u>	<u>Interim Net Salvage</u> %	<u>Terminal * Net Salvage</u> %
	<u>OTHER PRODUCTION PLANT</u>							
341.0	<u>Structures and Improvements</u>				1.0	0.1000	(50.0)	(5.1)
	Burton	16.3	Life Span	0.0				
	Faber Place	44.8	Life Span	0.0				
	Hardeeville	38.3	Life Span	0.0				
	Urquhart # 1 & 2	13.4	Life Span	0.0				
	Urquhart # 4	25.0	Life Span	0.0				
	Coit	14.6	Life Span	0.0				
	Parr	13.4	Life Span	0.0				
	Bushy Park	15.4	Life Span	0.0				
	Hagood	25.0	Life Span	0.0				
342.0	<u>Fuel Holders, Producers & Accessories</u>				1.0	0.8000	(70.0)	(5.0)
	Burton	20.8	Life Span	0.0				
	Hardeeville	15.5	Life Span	0.0				
	Urquhart # 1 & 2	16.6	Life Span	0.0				
	Urquhart # 4	25.0	Life Span	0.0				
	Coit	17.1	Life Span	0.0				
	Parr	23.0	Life Span	0.0				
	Bushy Park	15.9	Life Span	0.0				
	Hagood	24.3	Life Span	0.0				
343.0	<u>Prime Movers</u>				1.0	0.1000	(70.0)	(5.1)
	Burton	16.1	Life Span	0.0				
	Faber Place	38.0	Life Span	0.0				
	Hardeeville	34.0	Life Span	0.0				
	Urquhart # 1 & 2	13.0	Life Span	0.0				
	Coit	15.9	Life Span	0.0				
	Parr	30.1	Life Span	0.0				
	Bushy Park	14.5	Life Span	0.0				
	Hagood	25.0	Life Span	0.0				
344.0	<u>Generators</u>				1.0	0.1000	(20.0)	(4.8)
	Burton	43.3	Life Span	0.0				
	Faber Place	45.0	Life Span	0.0				
	Hardeeville	38.0	Life Span	0.0				
	Urquhart # 1 & 2	36.9	Life Span	0.0				
	Urquhart # 3	36.9	Life Span	0.0				
	Urquhart # 4	25.0	Life Span	0.0				
	Coit	36.9	Life Span	0.0				
	Parr	35.2	Life Span	0.0				
	Bushy Park	33.8	Life Span	0.0				
	Hagood	25.0	Life Span	0.0				

SOUTH CAROLINA ELECTRIC & GAS COMPANY
Comparison of Mortality Characteristics
Depreciation Study as of December 31, 2001

SCHEDULE 2

[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]
<u>Account Number</u>	<u>Description</u>	<u>Existing</u>			<u>Proposed</u>			
		<u>Average Service Life yrs.</u>	<u>Iowa Curve</u>	<u>Net Salvage %</u>	<u>Interim Addition Ratio</u>	<u>Interim Retirement Ratio</u>	<u>Interim Net Salvage %</u>	<u>Terminal * Net Salvage %</u>
345.0	<u>Accessory Electric Equipment</u>				1.0	0.1500	(40.0)	(3.8)
	Burton	18.2	Life Span	0.0				
	Faber Place	17.0	Life Span	0.0				
	Hardeeville	35.7	Life Span	0.0				
	Urquhart # 1 & 2	20.1	Life Span	0.0				
	Urquhart # 4	25.0	Life Span	0.0				
	Coit	23.1	Life Span	0.0				
	Parr	22.5	Life Span	0.0				
	Bushy Park	14.6	Life Span	0.0				
	Hagood	25.0	Life Span	0.0				
346.0	<u>Miscellaneous Power Plant Equipment</u>				1.0	0.0700	0.0	(7.7)
	Burton	21.4	Life Span	0.0				
	Faber Place	34.6	Life Span	0.0				
	Hardeeville	22.7	Life Span	0.0				
	Urquhart # 1 & 2	16.1	Life Span	0.0				
	Coit	13.1	Life Span	0.0				
	Parr	18.1	Life Span	0.0				
	Bushy Park	24.0	Life Span	0.0				
	Hagood	23.0	Life Span	0.0				

*- Composite of all plants.

SOUTH CAROLINA ELECTRIC & GAS COMPANY
Comparison of Mortality Characteristics
Depreciation Study as of December 31, 2001

SCHEDULE 3

[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]
Account Number	Description	Existing			Proposed				
		ASL yrs.	Curve	Net Salvage %	ASL yrs.	Curve	Salvage %	Cost of Removal %	Net Salvage %
<u>TRANSMISSION PLANT</u>									
352.0	<u>Structures and Improvements</u>								
	V.C. Summer - Nuclear	50.0	R3	(1)	38.5	SQ	0	0	0
	Other Locations	50.0	R3	(10)	55.0	R3	5	55	(50)
353.0	<u>Station Equipment</u>								
	V.C. Summer - Nuclear	55.0	S3	(1)	38.5	SQ	0	0	0
	Parr - Hydro	55.0	S3	(2)	26.1	SQ	0	60	(60)
	Fairfield Pumped Storage	55.0	S3	(2)	69.2	SQ	0	60	(60)
	Saluda - Hydro	55.0	S3	(2)	46.3	SQ	0	60	(60)
	Stevens Creek - Hydro	55.0	S3	(2)	28.5	SQ	0	60	(60)
	Neal Shoals - Hydro	55.0	S3	(20)	18.5	SQ	0	60	(60)
	Other Locations	55.0	S3	(20)	60.0	R2.5	2	37	(35)
353.1	<u>Station Equip. - Step-up Transformers</u>								
	V.C. Summer - Nuclear	55.0	S3	(1)	23.5	SQ	0	0	0
	Wateree - Steam	52.8	Various	Various	53.0	SQ	0	20	(20)
	McMeekin - Steam	52.8	Various	Various	59.5	SQ	0	20	(20)
	Urquhart - Steam	52.8	Various	Various	52.1	SQ	0	20	(20)
	Canadys - Steam	52.8	Various	Various	53.7	SQ	0	20	(20)
	Williams - Steam	52.8	Various	Various	56.5	SQ	0	20	(20)
	Cope - Steam	52.8	Various	Various	40.5	SQ	0	20	(20)
	Columbia - Hydro	52.8	Various	Various	41.5	SQ	0	60	(60)
	Parr - Hydro	52.8	Various	Various	41.1	SQ	0	60	(60)
	Saluda - Hydro	55.0	S3	(2)	65.4	SQ	0	60	(60)
	Fairfield Pumped Storage	55.0	S3	(2)	66.9	SQ	0	60	(60)
	Bushy Park GT	52.8	Various	Various	40.5	SQ	0	40	(40)
	Faber Place GT	52.8	Various	Various	29.5	SQ	0	40	(40)
	Burton GT	52.8	Various	Various	44.1	SQ	0	40	(40)
	Hardeeville GT	52.8	Various	Various	42.5	SQ	0	40	(40)
	Coit GT	52.8	Various	Various	41.5	SQ	0	40	(40)
	Urquhart GT	52.8	Various	Various	52.5	SQ	0	40	(40)
354.0	Towers and Fixtures	53.0	S4	(25)	60.0	R4	0	20	(20)
355.0	Poles and Fixtures	51.0	R1.5	(60)	55.0	R2.5	40	140	(100)
356.0	Overhead Conductors and Devices	53.0	R3	(20)	60.0	R3	30	100	(70)
357.0	Underground Conduit	50.0	R4	0	50.0	R4	0	0	0
358.0	Underground Conductors and Devices	40.0	R2.5	0	40.0	R2.5	0	0	0
359.0	Roads and Trails	60.0	SQ	0	60.0	SQ	0	0	0
<u>DISTRIBUTION PLANT</u>									
361.0	Structures and Improvements	50.0	R3	(5)	55.0	R2	0	5	(5)
362.0	Station Equipment	51.0	R3	(4)	60.0	R1.5	0	15	(15)
364.0	Poles, Towers and Fixtures	40.0	R1	(20)	43.0	R1.5	30	45	(15)
365.0	Overhead Conductors and Devices	42.0	R1.5	(10)	45.0	R2.5	50	75	(25)
366.0	Underground Conduit	40.0	R3	(10)	40.0	R3	20	35	(15)
366.1	Network	60.0	R4	(10)	40.0	R3	20	35	(15)
367.0	Underground Conductors and Devices	28.0	R3	2	33.0	R3	40	60	(20)
367.1	Network	35.0	S2.5	2	33.0	R3	40	60	(20)
368.0	Line Transformers	33.0	R2	(15)	38.0	S0.5	10	10	0
369.1	Overhead Services	43.0	R2	(70)	50.0	R2	20	70	(50)
369.2	Underground Services	35.0	L3	(10)	60.0	R3	20	70	(50)
370.0	Meters	38.0	R1	(10)	45.0	S-.5	0	0	0
373.0	Street Lighting and Signal Systems	32.0	R1	(10)	27.0	R3	30	50	(20)

SOUTH CAROLINA ELECTRIC & GAS COMPANY
Comparison of Mortality Characteristics
Depreciation Study as of December 31, 2001

SCHEDULE 3

[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]
Account Number	Description	Existing			Proposed				
		ASL yrs.	Curve	Net Salvage %	ASL yrs.	Curve	Salvage %	Cost of Removal %	Net Salvage %
<u>GENERAL PLANT</u>									
390.0	Structures and Improvements	35.0	R3	0	37.0	R2.5	0	10	(10)
391.1	Office Furniture and Equipment	20.0	SQ	0	20.0	SQ	0	0	0
391.2	EDP Equipment	5.0	SQ	0	5.0	SQ	0	0	0
391.3	Data Handling Equipment	20.0	SQ	0	20.0	SQ	0	0	0
391.4	EDP (GIS) Equipment	5.0	SQ	0	10.0	SQ	0	0	0
393.0	Stores Equipment	25.0	SQ	0	25.0	SQ	0	0	0
394.0	Tools, Shop and Garage Equipment	20.0	SQ	0	20.0	SQ	0	0	0
395.0	Laboratory Equipment	20.0	SQ	0	20.0	SQ	0	0	0
397.0	Communication Equipment	15.0	SQ	0	15.0	SQ	0	0	0
398.0	Miscellaneous Equipment	20.0	SQ	0	20.0	SQ	0	0	0
<u>COMMON PLANT</u>									
690.0	Structures and Improvements	35.0	R3	0	35.0	R3	0	10	(10)
691.1	Office Furniture and Equipment	20.0	SQ	0	20.0	SQ	0	0	0
691.2	EDP Equipment	5.0	SQ	0	5.0	SQ	0	0	0
691.3	Data Handling Equipment	20.0	SQ	0	20.0	SQ	0	0	0
691.4	EDP (CIS) Equipment	5.0	SQ	0	10.0	SQ	0	0	0
693.0	Stores Equipment	25.0	SQ	0	25.0	SQ	0	0	0
694.0	Tools, Shop and Garage Equipment	20.0	SQ	0	20.0	SQ	0	0	0
695.0	Laboratory Equipment	20.0	SQ	0	20.0	SQ	0	0	0
697.0	Communication Equipment	15.0	SQ	0	15.0	SQ	0	0	0
698.0	Miscellaneous Equipment	20.0	SQ	0	20.0	SQ	0	0	0

SOUTH CAROLINA ELECTRIC & GAS COMPANY

Proposed Retirement Years

Depreciation Study as of December 31, 2001

SCHEDULE 4

[1]	[2]		[3]	[4]
Description	Max. Generation		Installation Year yrs.	Retirement Year yrs.
	Nameplate			
	Rating			
	Summer	Winter		
	mW	mW		
<u>STEAM PRODUCTION PLANT</u>				
Urquhart	250	254	1954	2016
McMeekin	262	254	1958	2018
Canadys	415	415	1964	2022
Wateree	720	740	1970	2023
Cope	420	420	1996	2036
<u>NUCLEAR PRODUCTION PLANT</u>				
V.C. Summer	635	641	1984	2022
<u>HYDRAULIC PRODUCTION PLANT</u>				
Columbia	10	10	1896	2005
Neal Shoals	5	5	1905	2010
Parr	14	14	1914	2014
Stevens Creek	9	9	1914	2014
Saluda	206	206	1932	2037
Fairfield Pumped Storage	512	512	1978	2050
<u>OTHER PRODUCTION PLANT</u>				
Burton	28.5	30	1962	2006
Faber Place	9.5	10	1962	2010
Hardeeville	14	14	1968	2010
Urquhart # 1 and 2	38	46	1969	2006
Urquhart # 3	38	46	1969	2006
Urquhart # 4	38	46	1969	2019
Coit	30	36	1969	2010
Parr	60	76	1970	2012
Bushy Park	49	58	1972	2012
Hagood	95	112	1991	2016

SCHEDULE 5

SOUTH CAROLINA ELECTRIC & GAS COMPANY
ANNUAL ADDITION & RETIREMENT ACTIVITY
ACCOUNT 312, STEAM - BOILER PLANT EQUIPMENT
COPE
INTERIM ADDITIONS = INTERIM RETIREMENTS
FUTURE DISMANTLEMENT

Interim Net Salvage = -50.0%
Terminal Net Salvage = -12.0%
Average Net Salvage = -20.5%
Average Age Survivors = 5.31
Average Remaining Life = 27.17
Average Service Life = 32.48
Book Reserve Ratio = 13.0%
COR Reserve = 4,635,309
Theoretical Reserve = 50,964,678
Interim Retirement Ratio = 0.9000%
Interim Addition Ratio = 1.0
Depreciation Rate = 3.957%

[1] Year	[2] Interim Retirements \$	[3] Interim Net Salvage \$	[4] Terminal Retirements \$	[5] Terminal Net Salvage \$	[6] Interim Additions \$	[7] Ending Balance \$	[8] Average Balance \$	[9] Deprec. Amount \$	[10] Ending Reserve \$
2001						258,704,354			43,262,881
2002	2,328,339	(1,164,170)			2,328,339	258,704,354	258,704,354	10,237,114	50,007,486
2003	2,328,339	(1,164,170)			2,328,339	258,704,354	258,704,354	10,237,114	56,752,091
2004	2,328,339	(1,164,170)			2,328,339	258,704,354	258,704,354	10,237,114	63,496,696
2005	2,328,339	(1,164,170)			2,328,339	258,704,354	258,704,354	10,237,114	70,241,302
2006	2,328,339	(1,164,170)			2,328,339	258,704,354	258,704,354	10,237,114	76,985,907
2007	2,328,339	(1,164,170)			2,328,339	258,704,354	258,704,354	10,237,114	83,730,512
2008	2,328,339	(1,164,170)			2,328,339	258,704,354	258,704,354	10,237,114	90,475,117
2009	2,328,339	(1,164,170)			2,328,339	258,704,354	258,704,354	10,237,114	97,219,722
2010	2,328,339	(1,164,170)			2,328,339	258,704,354	258,704,354	10,237,114	103,964,327
2011	2,328,339	(1,164,170)			2,328,339	258,704,354	258,704,354	10,237,114	110,708,932
2012	2,328,339	(1,164,170)			2,328,339	258,704,354	258,704,354	10,237,114	117,453,537
2013	2,328,339	(1,164,170)			2,328,339	258,704,354	258,704,354	10,237,114	124,198,143
2014	2,328,339	(1,164,170)			2,328,339	258,704,354	258,704,354	10,237,114	130,942,748
2015	2,328,339	(1,164,170)			2,328,339	258,704,354	258,704,354	10,237,114	137,687,353
2016	2,328,339	(1,164,170)			2,328,339	258,704,354	258,704,354	10,237,114	144,431,958
2017	2,328,339	(1,164,170)			2,328,339	258,704,354	258,704,354	10,237,114	151,176,563
2018	2,328,339	(1,164,170)			2,328,339	258,704,354	258,704,354	10,237,114	157,921,168
2019	2,328,339	(1,164,170)			2,328,339	258,704,354	258,704,354	10,237,114	164,665,773
2020	2,328,339	(1,164,170)			2,328,339	258,704,354	258,704,354	10,237,114	171,410,379
2021	2,328,339	(1,164,170)			2,328,339	258,704,354	258,704,354	10,237,114	178,154,984
2022	2,328,339	(1,164,170)			2,328,339	258,704,354	258,704,354	10,237,114	184,899,589
2023	2,328,339	(1,164,170)			2,328,339	258,704,354	258,704,354	10,237,114	191,644,194
2024	2,328,339	(1,164,170)			2,328,339	258,704,354	258,704,354	10,237,114	198,388,799
2025	2,328,339	(1,164,170)			2,328,339	258,704,354	258,704,354	10,237,114	205,133,404
2026	2,328,339	(1,164,170)			2,328,339	258,704,354	258,704,354	10,237,114	211,878,009
2027	2,328,339	(1,164,170)			2,328,339	258,704,354	258,704,354	10,237,114	218,622,614
2028	2,328,339	(1,164,170)			2,328,339	258,704,354	258,704,354	10,237,114	225,367,220
2029	2,328,339	(1,164,170)			2,328,339	258,704,354	258,704,354	10,237,114	232,111,825
2030	2,328,339	(1,164,170)			2,328,339	258,704,354	258,704,354	10,237,114	238,856,430
2031	2,328,339	(1,164,170)			2,328,339	258,704,354	258,704,354	10,237,114	245,601,035
2032	2,328,339	(1,164,170)			2,328,339	258,704,354	258,704,354	10,237,114	252,345,640
2033	2,328,339	(1,164,170)			2,328,339	258,704,354	258,704,354	10,237,114	259,090,245
2034	-	-			-	258,704,354	258,704,354	10,237,114	269,327,359
2035	-	-			-	258,704,354	258,704,354	10,237,114	279,564,473
2036	-	-	258,704,354	(31,097,233)	-	-	258,704,354	10,237,114	0
Totals	74,506,854	(37,253,427)	258,704,354	(31,097,233)	74,506,854		9,054,652,390		

South Carolina Electric & Gas Company
Jasper Construction Costs
Docket No. 2002-223-E

	<u>Contract Costs</u>	<u>Other Costs</u>	<u>AFUDC</u>	<u>Total</u>	<u>Cumulative Balance</u>
Balance per books, June 2002					148,142,435
2002					
July	16,466,390	1,560,000	1,069,223	19,095,613	167,238,048
August	15,716,390	560,000	1,190,998	17,467,388	184,705,436
September	16,966,390	538,759	1,310,923	18,816,072	203,521,508
October	17,266,390	528,045	1,436,236	19,230,671	222,752,179
November	16,466,390	260,000	1,558,785	18,285,175	241,037,354
December	33,280,483	170,200	1,736,914	35,187,597	276,224,951
Total	<u>116,162,433</u>	<u>3,617,004</u>	<u>8,303,079</u>	<u>128,082,516</u>	